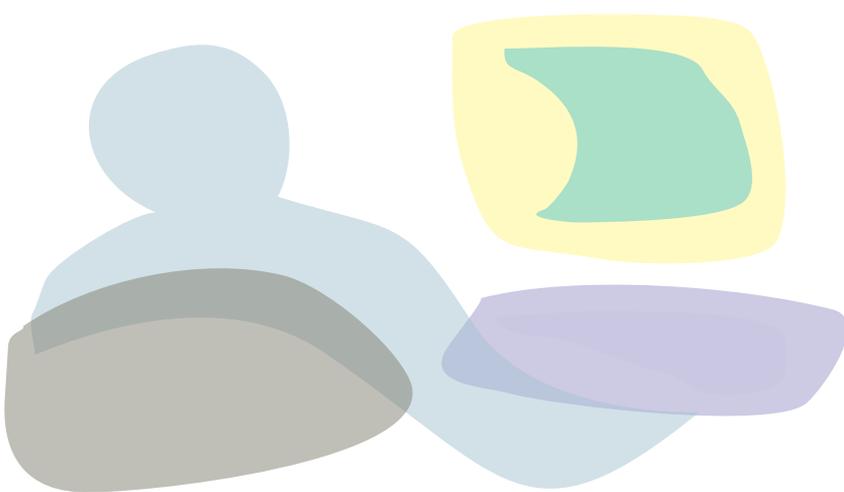
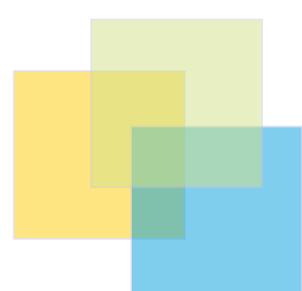




Republic of Serbia
Ministry of Economy
and Regional Development

A stylized illustration of a person sitting at a desk with a computer monitor. The person is represented by a light blue silhouette, the monitor by a yellow rectangle with a green shape inside, and the desk by a purple shape.A decorative graphic consisting of four overlapping squares in yellow, light green, blue, and purple.

YOUTH EMPLOYMENT POLICY AND ACTION PLAN

*A mid-term policy framework
2009-2011*

A stylized illustration of a person working at a desk. The person is represented by a blue silhouette, the desk by a green shape, and the work area by a grey shape with a yellow circle and a purple shape.A stylized illustration of a person wearing headphones. The person is represented by a purple silhouette, the headphones by a brown shape, and the work area by a green shape with an orange shape below it.



**YOUTH EMPLOYMENT
POLICY AND ACTION PLAN**
A mid-term policy framework
2009-2011



This Action Plan was developed under the technical assistance
of the International Labour Office



TABLE OF CONTENTS

Acknowledgements	III
Foreword	V
Introduction	1
PART I – SITUATION ANALYSIS	3
1. Overview of the economic and social context	3
2. Analysis of the labour market	5
2.1. Demographic trends	5
2.2. Trends in education	6
2.3. Labour market	7
2.3.1. Youth labour force participation	7
2.3.2. Employment	8
2.3.3. Informal employment	9
2.3.4. Wages and other conditions of work	10
2.3.5. Unemployment	10
2.3.6. Inactivity	12
3. Review of existing policies affecting youth employment	12
3.1. Macroeconomic and sectoral policies	12
3.2. Education and training policy	15
3.3. Labour market policies	17
3.3.1. Employment protection legislation	18
3.3.2. Active labour market policies	20
3.3.3. Passive labour market policies	21
3.4. Institutional framework and coordination on youth employment	21
3.5. Development cooperation and youth employment	22
PART II – PRIORITY POLICIES	25
1. Problem identification	25
2. Policy priorities	29
2.1. Education and training	30
2.2. Private sector development	31
2.3. Labour market policies	32
PART III – ACTION PLANNING	35
1. Goal	35
2. Specific youth employment objectives and targets	35
3. Key outcomes and indicators	37
3.1. Strengthening the (youth) labour market governance system	37
3.2. Increasing the employability of young people	40
3.3. Fostering youth employment through private sector development	43
3.4. Promoting decent work prospects for youth	48
3.5. Promoting inclusion through targeted measures	51
4. Resources	54
5. Implementation and coordination mechanism	59
6. Monitoring and evaluation	61
ANNEXES	63
Annex 1 – Youth Employment Action Plan matrix	64
Annex 2 – Portfolio of Youth Employment Action Plan projects	77

Acknowledgements

Appreciation is expressed to the representatives of the ministries of Labour and Social Policy; Education; Youth and Sport; Agriculture, Forestry and Water Management; the Deputy Prime Minister's Office for the Poverty Reduction Strategy, the European Integration Office, the National Employment Service of Serbia, the Republic Statistical Office and employers' and workers' organizations of Serbia that participated – under the lead of the Ministry of Economy and Regional Development – to the development of the Action Plan on Youth Employment.

Special thanks go to the young activists of the employers' and workers' organizations of Serbia that provided comments and feedback on earlier drafts of this document as well as to Mr Gianni Rosas and Ms Valli Corbanese, youth employment experts of the International Labour Office (ILO), which provided technical advice throughout its development.

The contribution of the Government of Italy, which supported the development of the Youth Employment Policy and Action Plan, is gratefully acknowledged.

Foreword

Since 2007, the International Labour Office (ILO) has been providing technical assistance to the labour market institutions of Serbia to build their capacity and design, monitor and evaluate an active policy on youth employment. The development of a youth employment policy and action plan is one of the main objectives of this technical assistance package, which grew out of the Project Youth Employment Promotion in Serbia (YEPS) financed by the Italian Ministry of Foreign Affairs.

The Youth Employment Policy and Action Plan presented forthwith is the result of the work of the policy-makers at the ministries of Labour and Social Policy; Education; Youth and Sport; Agriculture, Forestry and Water Management, and representatives of the Deputy Prime Minister's Office for the Poverty Reduction Strategy, the European Integration Office, the National Employment Service of Serbia, the Republic Statistical Office and the employers' and workers' organizations of Serbia.¹ The development process was coordinated by the Employment Department of Ministry of the Economy and Regional Development and it is based on the framework proposed by the ILO Guide for the preparation of national action plans on youth employment. The analysis provided by the ILO working paper *In search of a decent job: Youth employment in the Republic of Serbia* shed light on the scale and patterns of youth employment in Serbia and offered the knowledge base to craft feasible policy options to tackle the challenges of the youth labour market. This working paper also provided the groundwork for the design of an integrated package of active labour market programmes targeting disadvantaged young people.

The Youth Employment Policy and Action Plan was developed during a year-long capacity building programme that comprised the review of key labour market indicators, policies and institutions for youth employment; the identification of key problems for policy prioritization; the development of a framework to ensure a comprehensive and coherent approach to youth employment policy development; the design of objectives, targets and outcomes as well as the respective responsibilities of lead institutions; and the setting of costs, timeframe, coordination mechanism and monitoring and evaluation arrangements. Prior to approval, the youth employment policy space was reviewed once more to take account of the impact of the global economic crisis on the Serbian labour market.

The Youth Employment Policy and Action Plan is divided into three parts. The first section reviews the situation of the youth labour market in Serbia. The second part elaborates on the policy options identified to address youth employment challenges. The last part describes the operational aspects relating to the implementation of the policy and action plan. Finally, the annexes provide the matrix and plan of work, plus a portfolio of projects that are instrumental to the Action Plan implementation.

¹ *The Action Plan on Youth Employment was approved by the Government of Serbia's Conclusion 05 Number 11-5709/2009 of 17 September 2009.*

Introduction

Over the last several years, growing political attention has been given to youth employment in the Republic of Serbia, where the difficulties young people face in entering and remaining on the labour market are compounded by the additional burden of large numbers of young people who are engaged in precarious work, often in the informal economy. Youth unemployment and under-employment impose heavy costs on Serbian society. Long unemployment spells early in life affect the prospects of young people to secure a career job and a decent wage. High percentages of unemployed youth mean that investments in education and training are wasted, that there is a reduced taxation base and higher welfare costs. High unemployment levels among young people can also be a source of social instability.

The Serbian Government recognizes that addressing this challenge requires coordinated and concerted action over a number of policy areas such as economic and fiscal policy, enterprise development, education and labour market policy. The magnitude of the youth employment challenge in Serbia calls for preventive and curative approaches that address at the same time labour supply and demand and require the sustained involvement of governmental agencies, labour market institutions, including employers' and workers' organizations, and civil society.

Against this backdrop, the Government of Serbia and its social partners developed an Action Plan on Youth Employment that outlines five strategic objectives and a number of key outcomes to be pursued for the promotion of full, productive and freely chosen employment for young people, namely:

- 1) **Strengthen the (youth) labour market governance system** (re-organization of the Employment Department around clusters of competence covering the employment policy cycle; mainstreaming of the National Employment Service programme reform in local employment offices and establishment of local partnerships on youth employment at district/municipal level).
- 2) **Improve the employability of young people** (including the reform of vocational education and training; the introduction of a competency-based training system; the establishment of an adult learning accreditation system and better career guidance services);
- 3) **Foster youth employment through private sector development** (re-orientation of investment and sectoral policies towards youth employment creation; linking enterprise and human resource development policies; the introduction of work-training contracts for first entrants onto the labour market; the adjustment of the non-wage labour costs system and the establishment of dedicated youth entrepreneurship services);
- 4) **Improve decent work prospects for youth** (reform of the labour inspectorate to take action against informal employment; promotional measures to move young workers and enterprises to the formal economy; awareness-raising among youth on their rights at work);
- 5) **Promote inclusion through targeted measures** (better design and targeting of active labour market policies and integration of employment and social services to address multiple layers of disadvantage).

The time frame of the Action Plan on Youth Employment is three years (2009-2011), to allow its alignment to the mid-term budgetary planning framework as well as to the objectives of the Employment Strategy of Serbia. To take account of the possible impact of the global economic and financial crisis on the Serbian economy, the targets were built around a best case and a worst case scenario.

The total cost is estimated at approximately €27.8 million. More than €17 million are already available and budgeted either through the policy measures envisaged by the Government of Serbia or through donor-funded technical cooperation programmes. The remaining €11 million will be raised through technical cooperation projects. The total number of young people directly benefiting from the interventions introduced by the Action Plan is 18 percent of the total youth population aged 15 to 30, with 60 percent (i.e. 139,000 young people) expected to be in decent work at the end of the period.

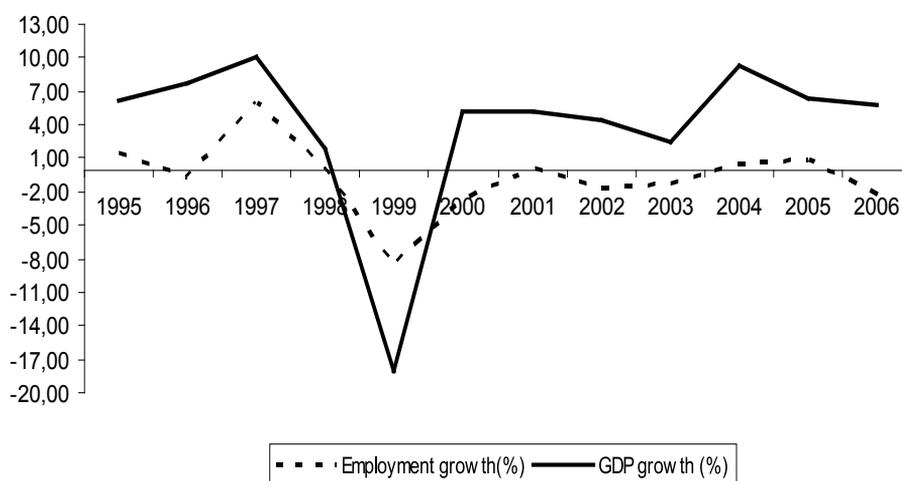


PART I – SITUATION ANALYSIS²

1. Overview of the economic and social context

The economic reform programme launched at the end of 2001 started to reverse the negative trends of the 1990s, characterized by decreasing industrial activity and plummeting gross domestic product (GDP) per capita.³ These reforms centred on macroeconomic stabilization, price and foreign exchange liberalization, the restructuring of the banking system, the privatization of state- and socially-owned enterprises and improvements in the business regulatory framework.⁴ Economic activity, measured by real GDP, grew in the period between 2001 and 2007 at an average annual rate of 5.7 percent. This was led by an expansion of the service sector, increases in domestic demand and inflows of foreign direct investment (see figure 1.1).⁵ Since 2002, export increased by over 8 percent per year, which is, however, lower than the average export growth of other Central European countries.⁶

Figure 1.1: Real GDP and employment trends in Serbia 1995-2006



Source: Republic Statistical Office (RSO), Statistical Yearbook, Belgrade, 1995-2006, European Bank for Reconstruction and Development (EBRD) Transition report 2006: Finance in transition, London, 2006

- 2 This part of the Action Plan is based on the working paper of G. Kristić and V. Corbanese, *In search of a decent job: Youth employment in the Republic of Serbia*, ILO Budapest, 2009
- 3 During the first half of the 1990s industrial activity fell by 50 percent and per capita GDP plummeted to the 1969 level (US\$ 1,270.).
- 4 World Bank, *Serbia: Labor market assessment*, Washington D.C., 2006
- 5 The inflow of FDIs has been mostly brownfield, i.e. related to the purchase of state- and socially-owned enterprises.
- 6 International Monetary Fund, *Republic of Serbia. Selected issues*, IMF Country Report No. 08/55, Washington D.C., 2008. In addition, over 40 percent of Serbia's export is metals and food items, which makes the country vulnerable to terms-of-trade shocks.

Strong economic growth did not convert into employment creation, at least in the formal economy. Throughout the period, employment continued to fall and the unemployment rate reached nearly 22 percent in 2005, to decrease slightly in 2006 and more markedly in 2007.⁷

After a period of fiscal adjustment and public sector consolidation, which resulted in a surplus in 2005, fiscal policy became increasingly expansionary with higher public expenditure fuelled mostly by privatization proceeds. The fiscal reforms of 2005 and the introduction of the value added tax (VAT) stabilized fiscal revenues at 41–42 percent of GDP.⁸

Inflation decreased from 39 percent in 2001 to 7.6 percent in 2003. Strong domestic demand, increasing oil prices and the introduction of VAT resulted in new inflationary pressures in 2004 and 2005. The appreciation of the national currency and a slowdown of international oil prices helped reduce inflation from 17.5 percent in 2005 to 6.6 percent in 2006.⁹ Inflation accelerated again in 2007, due to high fuel prices, but also to wage increases and fiscal expansion.

The structure of GDP changed significantly during the period 2001–2007. The private sector increased its share of GDP from 40 to 57 percent, while its contribution to employment increased three-fold (from 17 to 54 percent). The industrial sector decreased its share in GDP from 35 to 28 percent and in employment from 36 to 29 percent. The contribution of agriculture remained stable (around 15 percent), although the share of employment declined (from 25 percent to 18.9 percent).

Small and medium-size enterprises (SMEs) play an important role in the Serbian economy. In the period 2001–2007 the number of SMEs increased by almost 30 percent and that of trading establishments by 38 percent.¹⁰ They represent the near totality of enterprises in the country (99.8 percent) and contribute to over 65 percent of overall employment and 58 percent of gross value added. Also, it is estimated that in the period 2004–2007 SMEs generated over 149,000 new jobs.¹¹

The upward trend in economic growth resulted in a decline of poverty from 14 percent in 2002 to 6.6 percent in 2007. The poverty depth also declined over the same period from 3 percent to 1.3 percent.¹² Such a decline is to be attributed mainly to increases in real wages and more efficient social transfers. However, poverty in Serbia is estimated to be more widespread than this data indicates, as poverty figures do not fully cover refugees, internally displaced persons and the Roma population. In 2007, poverty among the Roma population was considerably higher than among the general population (49.2 percent) and more severe (the poverty depth was 13.6 percent).¹³ The population groups more likely to be poor are the rural population (particularly in Central and South-East Serbia), the less-well educated (less than primary education), the unemployed, workers in the informal economy, elderly persons, children up to 18 years of age, households with two and more children and members of large households.¹⁴

7 From 1991 to 2003, the employment intensity of growth in the countries of Central and Eastern Europe, including Serbia, deteriorated from 0.24 to -0.19, while youth employment elasticities declined from zero to -1.26. S. Kapsos, *The employment intensity of growth: Trends and macroeconomic determinants*, ILO, *Employment Strategy Papers* No. 12, 2005.

8 In addition, remittances declined from 13 percent of GDP in 2004 to 6 percent in 2007. This made a significant contribution to the widening of the current account deficit over the same period, IMF, *Republic of Serbia. Selected issues, IMF Country Report No. 08/55*, Washington D.C., 2008, *op.cit*

9 IMF, *Executive Board concludes 2006 article IV consultation with the Republic of Serbia*, *op.cit*.

10 RSO, *Statistical Yearbook*, Belgrade, 2006 *op.cit*

11 Ministry of Economy and Regional Development (MERD), *Strategy for the Development of Competitive and Innovative Small and Medium-sized Enterprises 2008–2013*, Belgrade, 2008.

12 The poverty depth is defined as the ratio of income to poverty threshold.

13 Krstić, G., "Poverty profile in Serbia in the 2002–2007 period" in: *Living Standard Measurement Study Serbia 2002–2007*, Republican Statistical Office, Belgrade 2008.

14 Republican Statistical Office, *Living Standard Measurement Study Serbia 2002–2007*, Belgrade, 2008.

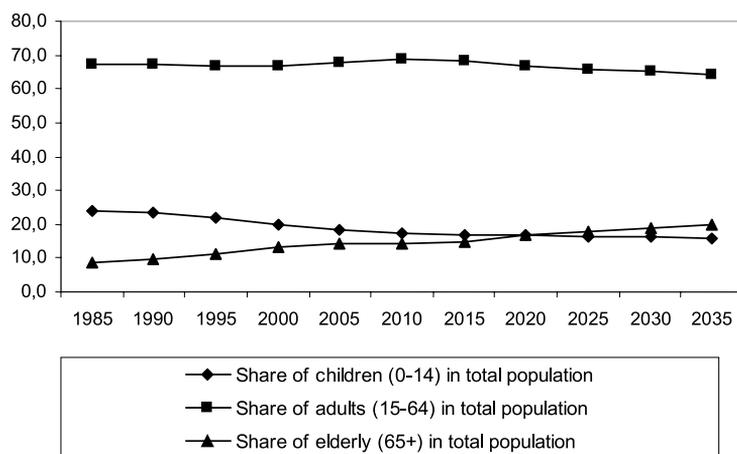
Given the deterioration in the global financial and economic environment, the main objective of the government for the period 2009-2010 is to safeguard macroeconomic and financial stability. This will be achieved through: i) fiscal adjustments to reduce the fiscal deficit to 1.75 and 1 percent of GDP in 2009 and 2010, respectively; ii) anchoring monetary policy to Consumer Price Index (CPI) inflation; iii) strengthening the financial crisis management framework to pre-empt and react to financial stability threats; and iv) pursuing of structural reforms that boost the economy's low capacity to produce, save and export. In addition, the government announced in early January 2009 a package of measures worth approximately €1.3 billion, focused mainly on subsidizing loans for export-oriented enterprises, consumer loans and increasing the availability of credit lines for small- and medium-size enterprises (SMEs).¹⁵

2. Analysis of the labour market

2.1. Demographic trends

The resident population of Serbia (without Kosovo and Metohia) is estimated at 7.4 million, with women accounting for 51 percent of the population. According to the 2002 Census, national minorities account for 17 percent of the population. The national origin of the largest minority is Hungarian (3.9 percent), followed by Bosnians (2.2 percent) and Roma (1.4 percent). However, the Roma population is estimated to be larger than that reported by official statistics, with over a third of the population comprising children less than 15 years old. The decline of fertility rates, higher life expectancy and the increase of emigration flows of people of working age caused significant changes in the age structure of the Serbian population.¹⁶

Figure 2.1 Projections of children, adult and elderly people in the total population



Source: World Bank, Serbia: Labour market assessment, 2006 op.cit; UN projections for Serbia and Montenegro, downloadable at <http://www.un.org/esa/population/>.

¹⁵ International Monetary Fund, Republic of Serbia: Letter of intent, memorandum of economic and financial policies, and technical memorandum of understanding, IMF, Washington D.C. 25 December 2008.

¹⁶ According to the 2002 Census around 414, 800 people from Serbia and Montenegro live abroad.

Serbia is facing a significant aging of the population and this trend is likely to continue over the next three decades (figure 2.1). The lower child and higher old age dependency ratios will affect labour supply: in absolute terms, the shrinkage of the working age population will imply a loss of 200,000 workers by 2020.¹⁷

2.2. Trends in education

In the period 1995–2004 the literacy rate for the Serbian population aged 15 and over was 96.4 percent, with a projected increase to 98.6 percent in 2015.¹⁸ Men's literacy rates were higher than women's (98.9 percent compared to 94.1 percent). The youth literacy rate was 99.4 percent (99.4 percent for young men and 99.3 percent for young women).

School enrolment rates in Serbia have increased over the last two years. In 2006, the basic education enrolment rate was 98.4 percent and the dropout rate was estimated between 0.36 and 1.94 percent.¹⁹ Although there is no significant sex difference in enrolment, dropout is more frequent for girls belonging to disadvantaged groups (i.e., rural population, Roma, girls with special needs, refugee and internally displaced girls). In the same year, the secondary enrolment rate was 77.7 percent, while the dropout rate was 2.3 percent. The Multiple Indicator Cluster Survey data for 2005 indicates a net attendance ratio of Roma children in primary education of approximately 73 percent (compared to a 99.1 percent for Serbia without Roma settlements) and 10.2 percent in secondary education (compared to 85.8 percent for Serbia).²⁰

Around 80 percent of students enrol in the four-year secondary school (24.2 percent in gymnasium and 57 percent in technical schools) and 20 percent in the three-year vocational schools. The majority of girls opt for the four-year school (87 percent). The Living Standards Measurement Survey (LSMS) of 2007 indicated that, compared to 2002, the number of youth 15–19 not attending education or training increased to 16.7 percent.²¹ Repetition rates in secondary education affect mostly young men, especially those living in poor households or in households whose head has a low level of education. Although decreasing year on, the number of young people entering the labour market every year averages 28,000, two thirds of whom have primary education only.

In 2007, the tertiary gross enrolment rate was 64.7 percent while the graduation rate was only 21.7 percent. In the period 2002–2007 the number of students 19–24 attending tertiary education increased by 5 percent. The most remarkable change regards the share of young women attending university, which increased from 38 to 45 percent. The general increases in tertiary education rates affected young Roma only marginally, as their share out of total university students increased from 0.03 to 0.06 percent.

17 M. Arandarenko, *Transition from education to work. Serbia Country Report*, European Training Foundation, Turin, 2007.

18 UNESCO Institute for Statistics, downloadable at http://www.uis.unesco.org/profiles/EN/GEN/countryProfile_en.aspx?code=8910

19 RSO, *Statistical Yearbook*, 2006, op. cit.

20 United Nations Children Fund (UNICEF) *Multiple Indicator Cluster Survey – Serbia*, 2005

21 *The data of the survey indicate that the share of young men and women not in education and training differs by household characteristics: nearly 50 percent of girls in poor households were not in education compared to 31 percent of boys; 27 percent of men refugees and internally displaced people were not in education compared to 19 percent of women; and 24 percent of young boys living in rural areas were not in education compared to 17 percent of girls.*

The Labour Force Survey (LFS) data indicates that in 2008 nearly 39 percent of the population aged 15 and over had primary education or less; over half had attained secondary education and only 7.6 percent had university attainment, compared to the OECD average of 31 percent of the population with less than lower secondary education, 42 percent with upper secondary level and 27 percent with tertiary education. The low rate of tertiary education attainment in Serbia is due to the fact that only 11 percent of students graduate on time.²² The educational attainment data of the LFS disaggregated by sex and other characteristics shows that young women and youth residing in urban areas are better educated than other groups of young people. The LSMS reports that in 2007 approximately 12 percent of youth attended some form of vocational training. The highest percentage (9.9 percent) attended specific courses (languages and computers), while far less participated into vocational training programmes. For young adults, participation in informal education dropped by one percent over the last five years. Young men are more likely to attend training courses (17 percent) compared to young women (4 percent).

2.3. Labour market²³

2.3.1. Youth labour force participation

The youth labour market is characterized by relatively low participation rates, low employment and high unemployment rates. In 2007, young people in the labour force were 33.3 percent of the 15-24 population, considerably lower than the national average of 63.4 percent and 11 percentage points lower than the EU27 average. Such a low rate of activity is mostly due to school attendance and to the low labour market participation rates of young women (28 percent), teenagers (19 percent) and youth with low educational attainment (17 percent). Table 2.1 below provides the main labour market indicators of Serbia by age group and sex in 2007.

²² Turajlić, S., "Higher Education in Serbia – Reform Strategy", Annex 3, Ministry of Education and Sport, Belgrade, 2003.

²³ The main source of labour market statistics in Serbia is the Labour Force Survey (LFS). The latter is conducted on a yearly basis since 1995. Unless otherwise indicated, the analysis of the overall and youth labour market provided in the next chapters is based on micro data of the LFS. The LFS methodology was changed at the end of 2007 and the data of the LFS 2008 are not strictly comparable to previous periods.

Table 2.1: Key labour market indicators of Serbia by age-group and sex, 2007 (percentages)

Age groups	Participation rate	Unemployment rate (ILO definition)	Employment rate
All			
15 to 64	63.4	18.8	51.7
15 to 24	33.3	43.7	18.7
25 to 54	81.8	17.2	67.7
55 to 64	37.4	10.5	33.5
Men			
15 to 64	71.9	16.5	60.0
15 to 24	38,1	40.7	22.6
25 to 54	89.6	14.3	76.8
55 to 64	52.2	11.4	46.2
Women			
15 to 64	54.9	21.7	43.0
15 to 24	27.9	48.3	14.4
25 to 54	74.1	20.6	58.9
55 to 64	24.1	8.6	22.0

Source: Labour Force Survey (LFS) 2007

2.3.2. Employment

Despite the strong economic growth experienced throughout the period 2001–2006, employment growth continued to be negative. The employment rate declined from 53.4 percent in 2004 to 51 percent in 2007, which compares unfavourably with the average EU27 employment rate (64.5 percent). Women, young people, the poorly educated and residents of urban areas are the groups less likely to be employed. The decline in employment was predominantly the result of restructuring and privatization in state- and socially-owned enterprises, whose workforce decreased by 31 percent. Over the same period, employment in the private sector increased by 23 percent, while employment in the private, non-agricultural sector rose by 70 percent. The increases in private sector employment, however, were not sufficient to compensate the decline in employment in socially-owned enterprises.

In 2007 the youth employment rate was 18.7 percent, half the youth employment rate recorded in the EU27 (36.4 percent). The relative labour market disadvantage of young Serbian women compared to men mirrors that of prime-age workers: 14.4 percent of young women were employed (22.6 percent of young men) compared to 58.9 percent of adult women (79.2 percent of adult men). Lower employment rates of women point to limited opportunities for women to reconcile work with family responsibilities, but also make the suspect of discriminatory practices in the labour market. Approximately 34 percent of youth with tertiary education were employed compared to only 9 percent for young people with primary education or less.

Approximately 80 percent of young workers are employed in the private sector, young women more than men (82 percent and 79 percent, respectively). Around 77 percent of the young employed are wage earners (83 percent of women and 73 percent of men). The share of wage employees in overall youth

employment increases with educational attainment, with 93 percent of university graduates being wage employees compared to 49.8 percent of youth with primary education or less. The share of young self-employed in overall youth employment is only 9 percent (6 percent women and 12 percent men) compared to 20 percent for adult workers. Contributing family members represent 14 percent of youth employed (11 percent women and 15 percent men), nearly three times higher than adults (6 percent).

Nearly 60 percent of all young workers are employed in the service sector, 16.8 percent are employed in agriculture and 23.4 percent in manufacturing. Compared to young men, young women dominate in service sector jobs, while the opposite occurs for agriculture and manufacturing. There is a strong relationship between educational attainment and youth employment by economic sector: around 90 percent of highly educated workers are employed in the service sector, while around 45 percent of young workers with primary education or less are employed in agriculture.

Part-time employment increased from one percent of total employment in 2002 to 7.5 percent in 2007. The share of young part-time workers was 11 percent (11.5 percent of women and 10.8 percent of men). Among young part-timers, 36.3 percent worked part-time due to education or training, 25.6 percent due to the specific nature of the job and 9.9 percent due to family responsibilities. Approximately 22 percent worked part-time because they could not find a full-time job.

Temporary work and fixed term contracts increased their share in total employment from 5 percent in 2002 to 12 percent in 2007. Approximately 38 percent of all young workers are employed with temporary contracts. The share of young men in temporary employment is considerably higher than the share of young women (43 percent and 29 percent, respectively). Teenagers and young people with lower educational attainment are more exposed to part-time and temporary jobs compared to young adults.

2.3.3. Informal employment

Engagement in the informal economy in Serbia is associated with low earnings, poverty and vulnerability. According to the 2007 LSMS data, informal workers face a higher poverty risk than the national average: among the total number of employed persons below the poverty line, over 72 percent worked in the informal economy.²⁴

According to LSMS data, informal employment accounted for 30 percent of total employment in 2002 and 35 percent in 2003.²⁵ The measurement of the LSMS of 2007 confirms a 35 percent share of informal employment. The LSMS also indicates that the informal economy has been increasingly absorbing unqualified and unskilled labour, since as much as 53 percent of informal workers had primary education, 39 percent had secondary education and 8 percent were university graduates. The most common type of informal economy activities are subsistence farming and self-employment in trade and other services.

The informality rate for young people increased from 41 percent in 2002 to 50 percent in 2007, mainly due to the relative absence of remunerative jobs in the formal economy.²⁶ Plinformality is widespread among

²⁴ Republic Statistical Office (RSO), *Living Standards Measurements Study. Serbia 2002 – 2007*, Belgrade, 2008, *op.cit.*

²⁵ Krstić, G., "Labour markets in Serbia and Montenegro", background paper prepared for *Agenda for Economic Growth and Employment*, World Bank, 2004, *op.cit.* Recent research conducted by the Serbian trade unions points to red tape barriers to enterprise development (licensing requirements and tax administration procedures) and poor enforcement of legal provisions as key determinants of informality. *CATUS, Nezavisnost, Analysis of the informal economy. National report of Serbia*, Belgrade 2008.

²⁶ The definition of informal employment in the LSMS included: i) persons employed with no social contributions paid; ii) people employed in private, unregistered firms; and iii) people working at home, from door-to-door, in the flea market and in other "informal" workplaces.

teenagers and young adults, but decreases with age and – probably – with work experience. This finding may point to the fact that young people turn to the informal economy to gain work experience. Informality is strongly correlated to the level of education of young workers: nearly 95 percent of all young workers with primary education are informally employed, compared to 40 percent of workers with secondary education and 16.3 percent of young workers with higher education.²⁷

2.3.4. Wage and other conditions of work

Youth earn considerably less than adults: the average monthly earnings for young workers are approximately 25 percent lower than those of adults. When hours of work are considered, the earning differential between young and adult workers is 24 percent. Young men earn on average 19 percent more than young women. Young workers with higher educational attainment earn on average 23 percent more than workers with only secondary education, while young workers in urban areas have a wage premium of 12 percent.

The young self-employed earn on average 36 percent more than young employees, although these latter have a higher educational level.²⁸ Young workers in the public sector have an hourly earnings premium in the range of 45 percent.²⁹ Workers in service-related occupations in the private sector have an earning advantage compared to youth employed in manufacturing and agriculture (14 percent and 106 percent, respectively).

Young people work on average 45 hours per week, which is comparable with the average hours of work for adults. Over 26 percent of youth work overtime and nearly 25 percent work excessive hours, i.e. 50 hours per week or more. Occupations in agriculture register higher weekly hours of work, but also lower hourly earnings.

2.3.5. Unemployment

Despite positive economic growth and the clear increase of the private sector share in GDP, employment creation in the formal economy has not been sufficient to reduce unemployment and absorb the influx of redundant workers and new labour market entrants (see figure 2.2). The unemployment rate in Serbia climbed steadily from 13.2 percent in 2000 to nearly 22 percent in 2005 to drop to 18.8 percent in 2007.³⁰ Such a rate is more than twice that recorded in the EU27 (8.2 percent). Youth unemployment remains a serious challenge, as more than 43 percent of the youth labour force was unemployed in 2007 (compared to 17.1 percent in the EU27 in the same year). Young women are more exposed to unemployment than men (48.3 percent and 40.7 percent, respectively), notwithstanding a higher educational attainment. In 2007, the youth-to-adult unemployment rate was 3.2, indicating that young Serbs were three times more likely to be unemployed than adults.

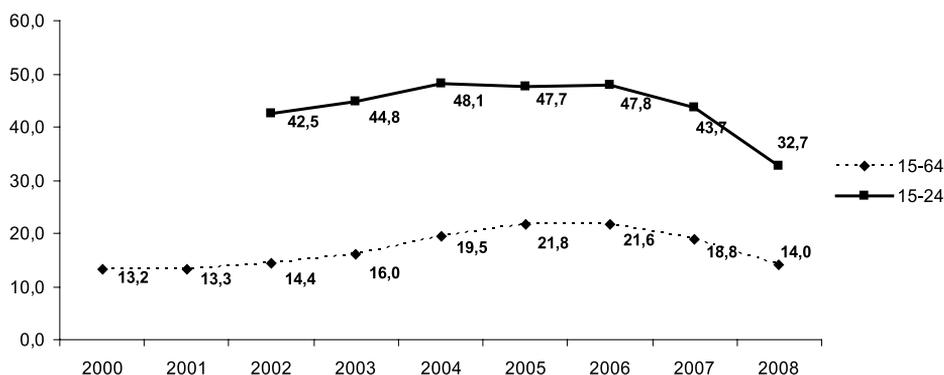
27 The data also indicates that most young people working in agriculture do so informally, while the share of young informal workers in manufacturing and services is just over one third of all youth employed. The sectors most exposed to the informal economy are trade, agriculture, construction and light manufacturing, CATUS, *Nezavisnost, Analysis of the informal economy. National report of Serbia, Belgrade 2008.*

28 Median hourly earnings show that young self-employed earn only 7 percent more than young employees.

29 This premium is 40 percent using median hourly earnings.

30 The decrease of the unemployment rate to 14 percent in 2008 is mainly due to the changes in the LFS methodology carried out at the end of 2007.

Figure 2.2: Unemployment rate in Serbia 2000-2008



Note: The drop in the overall and youth unemployment rate between 2007 and 2008 is partly due to a change in the LFS methodology.

Source: RSO, Labour Force survey 2000-2008.

The highest incidence of unemployment is observed among higher educated young people.³¹ Those with lower educational level are less exposed to unemployment, but they are more numerous among the inactive. Two factors contribute to determining such a high rate of unemployment among educated youth. One relates to the skills mismatch: the supply of educated youth exceeds demand for this type of worker, but in addition the output of higher education does not respond to labour market requirements. Another hindrance may be wage reservation.³² According to the LFS data, about 26 percent of unemployed youth who refused a job offer in the previous year did so because the wage offered was considered unsatisfactory. The main reasons related to job reservation – i.e. the job was considered unsuitable to the applicant's qualifications or expectations (28 percent), unacceptable hours of work (18 percent); workplace too far from the place of residence (9 percent) – were reported as other reasons for not accepting a job.³³

Unemployment in Serbia is long-term in nature, as 80 percent of the unemployed in 2007 had been jobless for a year or more. Long-term unemployment affects women and men equally, while adults (aged 25-64), the less well-educated and residents in rural areas are more affected than other groups. Youth unemployment is also predominantly long-term. The largest difference in the incidence of youth long-term unemployment is between teenagers and young adults (47 percent and 76 percent respectively) and between young people with higher and lower education attainment (52 percent and 69 percent respectively).

The absence of decent work opportunities and sharp regional disparities are the main factors pushing youth to migrate internally and abroad. A number of surveys conducted among young people in the period 2005-2008 reveal that between 18 and 23 percent of young people are planning to move to improve their employment prospects. The regional disparities in Serbia are among the largest in Europe and they have been increasing over the last few years. In 2006, the ratio of the most developed and the least developed

31 Kolev, A., Saget, C., "Understanding youth labour market disadvantage: Evidence from south-east Europe", *International Labour Review*, Vol. 144, No.2. 2005. The study conducted by M. Arandarenko finds the highest incidence of unemployed among secondary education graduates, especially youth graduating from vocational schools.

32 Wage reservation refers to expectations of a minimal income threshold that is a pre-condition for accepting work.

33 These results should be treated with caution as there was small number of observations for unemployed youth who refused the offered job (only 23 observations). The majority of unemployed youth have not refused any job (95 percent).

equalled 1:15.³⁴ This is reflected in the large regional differences in poverty rates. The poverty index in 2007 ranged from 3 percent in the urban area of Belgrade up to 18.7 percent in the rural areas of South-East Serbia.

2.3.6. Inactivity

Inactive young people, excluding students, accounted for 11 percent of the young population, (11.5 percent young women and 10.7 percent young men). Young adults accounted for 14 percent, while the share of inactive teenagers not in education or training was 6 percentage points lower. The share of discouraged workers among inactive youth is low (2.6 percent), but this measure is probably an underestimation as the LSF considers “discouraged” only youth who have not been looking for a job because they have lost all hope of finding one. Young women are more inactive than young men, partly due to their higher participation in education. However, there is a striking sex difference with regard to the reasons of inactivity. For young women, inactivity is mostly due to personal or family reasons (68 percent), while for young men the main reason of inactivity is unknown since 79 percent of them are inactive due to “other” reasons.

3. Review of policies affecting youth employment

The labour market data presented in the previous sections indicates that Serbia faces quantitative and qualitative challenges in youth employment. The institutional framework governing the youth labour market, and the way in which government policies are formulated and implemented, have an impact on the effectiveness of the measures taken to facilitate young people’s transition to decent work. The data of the Serbian labour market points to three key policy areas that have an impact on youth employment: i) macroeconomic and sectoral policies and their impact on job creation; ii) education and training policies and their relevance to labour market requirements; and iii) labour market policies that bridge the gap between labour supply and demand and ensure workers’ protection.

3.1. Macroeconomic and sectoral policies

Since 2000, Serbia has recorded significant macroeconomic progress in terms of economic growth, lowered inflation and inflow of investment. The fiscal reform initiated in 2001 resulted in the reduction of the average tax wedge and a decrease of the corporate tax rate (from 20 to 10 percent). In 2002 a 14 percent corporate flat tax was introduced, followed in 2005 by the value added tax (VAT). These measures resulted in an improvement in tax compliance and tax collection.³⁵ However, the expected impact of these reforms on overall employment and youth employment has been rather marginal. In the period 2001–2006 the main labour market indicators registered negligible changes. It has to be

³⁴ Government of Serbia, *National Economic Development Strategy (2006–2012)*, Belgrade 2007. See also Statistical Office of Serbia, *Living Standards Measurement Study*, Belgrade 2008. The index of development problems is a composite index comprising demographic, economic, educational, infrastructural and environmental indicators.

³⁵ World Bank, *Serbia: Labour market assessment*, Washington D.C., 2006, op.cit. Ministry of Finance, *Memorandum on budget and economic and fiscal policy for 2009 with the projections for 2010 and 2011*, Belgrade May 2008.

noted, however, that the wage taxation system was regressive until the beginning of 2007, e.g. the tax wedge for low wage earners was higher than for workers with average or high wages. Since 2007, the tax wedge for workers earning an average wage has been 39.2 percent, compared to 37.3 percent in OECD countries and 42.1 percent in EU15.³⁶

In 2003 the country adopted its Poverty Reduction Strategy (PRS), a medium-term development framework containing the main strategic guidelines for social development and for the reduction of poverty. This strategy builds on three pillars: i) development and economic growth centred on job creation and higher income, ii) prevention of new poverty determined by economic restructuring, and iii) design and efficient implementation of programmes, measures and activities targeting the poorest and most vulnerable groups, particularly in the least developed regions. The overarching objective of the PRS is to develop the domestic economy and achieve greater international competitiveness. The implementation of measures under these three pillars was expected to increase output, create new jobs and provide higher incomes and sources of financing for public policies. Increased growth and income was expected to result from macroeconomic stabilization and a competitive environment for attracting FDIs. In parallel, SME development, the higher pace of privatization, and more efficient state institutions were expected to boost job creation. In the field of employment, the priority set by the PRS was to improve the educational and qualification structure of young unemployed people and increase employment opportunities for the most vulnerable groups of the population.³⁷

The National Strategy for Economic Development (2006-2012) was adopted at the end of 2006. It includes the following strategic directions: i) establishing an attractive business environment as a precondition for the increase of competitiveness of the Serbian economy, ii) development based on knowledge and human capital, iii) establishment of an efficient economic infrastructure, iv) more equal regional development, and v) alignment of economic development to social equity objectives. This strategy is the first document that shifts policy emphasis from high unemployment to low employment rates.

The National Sustainable Development Strategy (2008-2013) emphasizes macro-economic stabilization, the promotion of SMEs and FDIs, increased investment in human resources and in the adaptability of the labour force, the reduction of regional disparities and the protection of the environment as key policy priorities to achieve sustainable economic growth and social development. Serbia's performance in investment promotion is still lower than other transition countries. The investment patterns indicate that reform of the business environment, trade law and privatization still need to be pursued to increase the share of investment from the current 18 percent of GDP to the level required to sustain economic and employment growth (25 percent).³⁸ In this sense, the promotion of investments – together with increased productivity and diversification of the export base – has become a mid-term priority for the Government.

One of Serbia's features is the development divide between urban and rural areas and between northern and southern regions. Regional disparities have been exacerbated by economic transition, with industrial areas now facing serious economic and social development challenges. Further economic restructuring

36 Some OECD countries have focussed their tax wedge reductions on lower paid workers, as this is the group that often experiences particularly high unemployment rates. The reductions in the tax wedge for single workers earning two-thirds of the average wage have fallen particularly sharply since 2000 in France (47.4 to 41.4 percent), Hungary (48.5 to 42.9 percent) and the Slovak Republic (40.6 to 35.3 percent). See Organization for Economic Cooperation and Development (OECD), *Taxing wages 2006/2007*, OECD Paris 2008.

37 As a result of the inclusion of youth employment as a national priority in the PRS, youth employment indicators are constantly monitored to measure progress (or lack of it).

38 Government of Serbia, *Report on Small and Medium Size Enterprises 2006*, Belgrade 2007. IMF, *Serbia: Selected Issues*, Washington D.C., 2006, *op.cit.* FDI in Serbia still predominate in the acquisition of successful privately-owned and state-owned enterprises and not in areas where no previous facilities exist. See Government of Serbia, *Macroeconomic framework and fiscal limitations in PRS Implementation, Second progress report on the implementation of the PRS in Serbia, 2007*, downloadable at www.prsp.sr.gov.yu/engleski/.

and privatization could deepen such regional differences, as the areas that will be most affected are mono-industrial and mining centres.³⁹ Regional labour markets also present appreciable differences, with unemployment rates by districts exceeding the 1:3 ratio. In 2007 the Government drafted the Strategy for Regional Development (2007-2012), which set out the main priorities of regional development and the means for its implementation in the mid-term. The Law on Regional Development, finalized in spring 2008, envisages the creation of a State Regional Development Agency.

To reduce regional disparities the National Sustainable Development Strategy proposes public-private partnerships to increase the quantity and quality of infrastructure and human capital, as well as targeted programmes to increase the qualifications level of the labour force. The key instruments of regional development policy are the Development Fund, transfers to local self-government —the new Law on Financing of Local Self-Government envisages transfers totalling 1.7 percent of GDP— incentives distributed by the Ministry of Agriculture and the provisions of the National Investment Plan.⁴⁰ The Development Fund has two credit programmes that promote employment and growth by providing loans at favourable rates. In 2006 the Fund invested more than 1.3 billion RSD in 144 programmes in sectors other than agriculture. The impact of these programmes on youth employment is not yet known.

In 2004 the government initiated a rural development programme that encompasses grants to generate alternative sources of income in rural areas, with particular emphasis on less developed regions. Despite its declining contribution to GDP, agriculture remains important for Serbia's rural economy and export.⁴¹ Recent analyses suggest that the sector has potential for growth, if annual production can be stabilized and productivity improved. The Agricultural Strategy provides a road map for growth, backstopped by institutional reforms, improved planning, reorientation of expenditures and increased budget allocation. The structural support provided by the Ministry of Agriculture's budget increased from 8 percent in 2003 to 47 percent in 2006, while the Ministry of Economy established a revolving fund to support farming. In the past three years, such credit lines granted approximately 78,000 short-term loans with an average value of 83,000 dinars (US\$1,300) and 3,500 long-term loans for an average value of 1.2 million dinars (US\$19,000). Increasing the competitiveness of agriculture requires an expansion of farmers' market share in domestic and export markets and the shift of many subsistence farmers and small producers into off-farm employment. The development of industries like tourism and food processing in rural areas could contribute to absorbing rural labour shed by restructuring and to increase rural incomes.⁴²

The Strategy for the Development of Competitive and Innovative Small and Medium-Sized Enterprises (2008-2013) builds on the principles of the European Union Charter for Small Enterprises and aims at developing a knowledge- and innovation-based economy. The strategy identifies five pillars: i) promotion of entrepreneurship and business start-up; ii) development of human resources for a competitive SME sector; iii) improvement of financing opportunities and the taxation system; iv) advancing the competitive advantage of SMEs in the export sector; and v) improvement of the legal, institutional and business

39 M. Arandarenko, A. Nojković, *The labour market in Serbia. Overview*, Centre for Democracy and Reconciliation in Southeast Europe, 2007. For instance, the City of Belgrade employs 29.6 percent of the population and its processing industry accounts for 25.6 percent of GDP. Conversely, the processing industry in the districts of South Serbia account for only 5.2 percent of GDP, even though the territory takes up 11 percent of all of Serbia.

40 In July 2006 the Law on Financing of Local Self-Government introduced a new mechanism for regional policy management. In 2007 29.7 billion RSD were earmarked for transfer to towns and municipalities. Another reform aimed at enhancing regional development is the adoption of the Serbian Rural Development Strategy and the Action Plan. The Strategy aims at reducing regional disproportions to 1:3 from the current 1:7 at the district level and 1:15 at the municipal level by 2012. Government of Serbia, *Regional, rural and urban aspects of poverty, Second progress report on the implementation of the PRS in Serbia*, 2007. *op.cit.*

41 World Bank, *Supporting Serbia's agriculture strategy*, Report No. 37825-YF, Washington D.C., 2006

42 World Bank, *Supporting Serbia's agriculture strategy*, Washington D.C., 2006, *op.cit.*

environment. In particular, key measures envisage the development of financial and non-financial support services, the establishment of one-stop-shops for business registration, tax incentives for new businesses and self-employment ventures, the integration of entrepreneurship, education in school curricula, the improvement of the skills base of the workforce, expansion and better targeting of financing instruments, promotion of technical innovation and the dissemination of Information and Communication Technologies (ICT). The assistance to SMEs translates into non-financial support (comprising the self-employment and entrepreneurship training offered by the National Employment Service and Regional Development Agencies) and financial support (subsidies to employers, start-up credit under the Development Fund and support to micro-credit institutions). The National Agency for the Development of SMEs was established as the main instrument of SME policy implementation and it now has 16 regional centres. The SME strategy complements the industrial policy set forth by the National Strategy of Economic Development (2006-2012), which centres on promoting the export capacity of domestic industry to be achieved through the development of high-technology (especially in the field of chemical and pharmaceutical industry, information and communication technology, electronics and processing industry).

Business registration, legislation, taxation and financial and non-financial support for SMEs have improved considerably over the past few years. However, a number of constraints still hamper further progress: i) the low knowledge- and skills-base of the SME workforce; ii) poor matching between the needs of enterprises and available financing instruments; iii) lack of new technology and innovation; and iv) many SMEs are subject to unfair competition exerted by companies in the informal economy. Serbia scores lower than other countries in Central and Eastern Europe in skills availability, entrepreneurship education, quality assurance and representation of SMEs. To promote entrepreneurship education, the Government is designing a Strategy on Entrepreneurial Education.

Export-oriented activities are increasingly requiring skilled labour and capital-intensive processes. Serbia has also been gearing its policies to attract more foreign and green-field investments (Strategy for the Promotion and Development of Foreign Investment, 2006). To its advantage Serbia has the lowest company profit tax, the lowest standard VAT rate, special tax incentives and credit for investors that create new jobs, as well as custom duty exemption for investments in kind. However, other determinants of FDI attraction, such as investment in industrial parks and reform of urban and industrial planning are lagging behind those of other countries in the region. Foremost, the structural shifts envisaged to promote exports and attract FDI will succeed only if accompanied by an increase in the quantity and quality of human capital. The experience of other countries demonstrates that the better qualified and adaptable the workforce, the higher the competitiveness of the country and the more attractive it becomes to foreign investors.

3.2. Education and training policy

One of the key findings of the youth labour market analysis revolves around the relationship between young people's education and skills level and labour market outcomes.

The education system in Serbia is characterized by a low responsiveness to labour market requirements, a lack of a qualifications and accreditation system and underdeveloped adult education and training opportunities. Education faces both quantitative (a lower stock of highly educated people compared to other countries in the region) and qualitative challenges. Measures of educational quality in Serbia are scant, but available data gives rise to concern. The scores of Serbian 15-year-olds in PISA 2003 and 2006 show gaps in all four basic skills assessed (reading, maths, science and problem solving).⁴³

43 Young Serbians score on average twice lower than their OECD peers. See PISA 2006 results at www.oecd.org.

Young people with secondary education experience high levels of unemployment and those with primary education are over-represented among the inactive and workers in the informal economy. A number of factors explain this situation. First, there is still a prevalence of low-skills jobs— mainly in the informal economy— that absorbs less well educated workers. Second, the youth labour market in Serbia is characterized by a high degree of transitions with high rates of movement from employment to unemployment and inactivity year-on. Finally, the percentage of people with higher education attainment is stagnant across generations and has actually been deteriorating for young men.⁴⁴

One cause of the poor quality and low educational attainment is the performance of the country's vocational education (VET) system. This system is currently organized around fifteen occupational areas (250 occupations) in a three- or four-year curriculum. VET schools suffer from narrow and early specialization approaches, low popularity among students and parents and lack of funding. The tertiary education system also fails to provide a steady supply of graduates with the skills required by the labour market. On some labour market measures— such as employment rates and wages— the tertiary system seems to do reasonably well. However, these figures hide the fact that many graduates are employed in jobs for which they are over-qualified, since enterprises – out of the large pool of jobseekers – select workers with higher levels of education. Moreover, young graduates are few in numbers due to low enrolment rates and high dropout and repetition rates, which double the time of graduation and result in over 60 percent of enrolled students never completing tertiary education. The organization of university education and its programmes reinforces this conclusion. The lack of cooperation among university faculties leads to costly duplication in teaching, administration and services; curricula and teaching methodologies are outdated, with many mono-disciplinary and theory-centred programmes unrelated to labour market needs.

Such shortcomings in the formal education system are compounded by a lack of adult education and training opportunities, which, first and foremost put those population groups with low or outdated skills at a disadvantage. The former system of adult education with specialized institutions offering remedial courses was dismantled at the beginning of transition. Secondary vocational schools allow adults to take courses in certain subjects, but do not make special provisions for adult training, while the few programmes of continuing education at university level are available only to former students. In short, there is no adult training system that equips both jobseekers and low-skilled workers with the skills demanded in the labour market. In parallel, the capacity of existing enterprises – especially micro and small-sized enterprises – to deliver workplace training is limited. The bulk of training provision by private training institutions is mostly confined to Information Technology (IT) and foreign language skills. The changes brought about by the transition to a market economy (e.g. production system, shift of jobs from agriculture and manufacturing to service, emerging new occupations) have not been accompanied by the development and modernization of education and training provision.

Another constraint affecting all levels of the education and training system is the lack of certification and quality control. There is no qualification system in adult education and courses offered by training providers usually do not lead to a recognized vocational qualification. Thus, enterprises looking for off-plant training for their workers as well as the employment service contracting training as part of active labour market programmes have little insight into the quality of the training on offer. Enterprises generally invest little in training with a consequent lack of progress in organizational performance. The Productivity and Investment Climate Survey (PICS) suggests that the proportion of companies offering

44 M. Arandarenko, *Transition from education to work. Serbia country report, ETF 2007, op.cit.*

training to their employees fell from 56 percent in 2001 to 31 percent in 2003, with small companies facing greater difficulties than larger enterprises.⁴⁵ Moreover, the training programmes offered by enterprises benefit only a limited number of workers.

The Ministry of Education (MoE) is currently re-aligning the VET system, developing an adult education policy and working on the establishment of a National Qualification Framework (NQF) aligned to European standards.⁴⁶ The education and training policy of the government addressing the above mentioned challenges rests on four pillars. The first pillar foresees increased access to education through: i) raising the upper secondary enrolment rate, ii) accelerating the graduation rate of university students, and iii) providing a certification and quality control framework for adult education and lifelong learning. The second pillar envisages an improvement of the quality of education and training. This is to be achieved by: i) shifting teaching and learning approaches towards the broad and flexible skills demanded by the labour market; ii) decentralizing management within the framework of a national curriculum and assessment; and iii) increasing teachers' salaries and infrastructure investment. The third pillar revolves around the access to education for vulnerable groups to be achieved by improving the labour market outcomes of education and by introducing a funding formula to give more funds to schools with students from poor backgrounds. The last pillar regards the improvement of the effectiveness of public spending in education and training. Public spending on education increased from 3.2 percent of GDP in 2004 to 3.5 percent in 2006. This increase is, however, still far from the 6 percent of GDP target envisaged by the PRS for the year 2010.

3.3. Labour market policies

The commitment of the government to address the employment situation of young people – because of their vulnerability and exposure to social exclusion – is emphasized in the PRS and the Employment Strategy and accompanying national action plan. The key challenges identified by the employment policy include: (i) moving employment from the informal to the formal economy and reducing the duration of unemployment by improving the absorption capacity of the formal labour market; (ii) increasing the overall level of employment and participation especially for women, young people and individuals with low educational attainment; and (iii) improving the quality of jobs and decent work for all. Meeting these challenges requires synchronized policies in the areas of labour legislation, severance and unemployment benefits and active labour market measures. These policies need to accompany the reforms of macroeconomic policy (including tax policy and administration), privatization and private sector development, and also education and training policies.

The National Employment Strategy builds on the three goals of the EU Lisbon Strategy – full employment, improving quality and productivity of labour and strengthening social cohesion and labour market inclusion – and it fully embraces the integrated approach of the EU Employment Strategy. To increase youth employment and combat unemployment, the National Action Plan on Employment (2006–2008) envisaged four key measures: i) the design of active labour market programmes to promote youth employment and

⁴⁵ Only 21 percent of small firms train their workforce compare to 46 percent of larger enterprises World Bank, *An agenda for growth and employment*, Washington D.C., 2006, *op.cit.*

⁴⁶ At the end of 2006 the Serbian Government adopted two strategic frameworks to improve the efficiency and effectiveness of the education and training system: the *Strategy of Development of Secondary Vocational Education* and the *Strategy of Development of Adult Education*. The two strategies, complemented by National Action Plans, envisage: i) the alignment of the vocational education system to the Copenhagen Declaration and Process (qualification nomenclature, vocational standards and certification system); ii) the reform of vocational courses and curricula; iii) the introduction of career education and guidance in schools; iv) the establishment of a flexible system of adult learning; and v) increase the accessibility of education, training and lifelong learning especially for the most vulnerable groups of the population.

self-employment; ii) the provision of incentives to enterprises to recruit young people, iii) the setting up of career guidance and counselling centres, and iv) the provision of a package of employment services to long-term unemployed youth. All the planned measures are under implementation, but their impact on the youth labour market is not yet visible. The combined impact of such measures should have been an increase in the youth employment rate of two percentage points per year. However, in 2006 the youth employment rate measured by the LFS increased by less than one percentage point and it decreased in 2007 to return to its 2005 level of 18.7 percent.

In mid 2006, the Government of Serbia amended the Law on Income Tax and the Law on Mandatory Social Security Contributions to stimulate employment and lower the tax burden on low-wage employees. Such amendments rectified the regressive nature of the wage taxation system that has been present since 2001.⁴⁷ Specifically, the law prescribes a reduction of the personal income tax on wages from 14 to 12 percent and of social security contributions from 40 to 35 percent; the introduction of personal allowances; and two to three year exemptions from income tax and the employer's portion of social security contributions for the recruitment of younger (less than 30 years old) and older (45 and over) unemployed and new labour market entrants. The impact of the measures introduced with these amendments is still unclear. Such an approach may well prove to be effective in reducing unemployment and informality. Analysis in Central and Eastern European countries shows that youth unemployment tends to rise with higher payroll taxes.⁴⁸ A recent World Bank study, which reviewed labour costs and payroll taxes in the Western Balkans, found that they are higher than those of EU countries and are not progressive, with a relatively heavy burden falling on low-wage workers.⁴⁹ A general reduction of payroll taxes could be a major incentive to improve employment outcomes, especially for young people. Another measure could be a temporary reduction of payroll taxes for enterprises hiring young people, especially those who face greater difficulties in entering the labour market. Evaluations of these measures conducted in EU and OECD countries have found that they have a beneficial impact on youth employment.⁵⁰ However, evaluations point to the importance of both the duration and the level of any reduction of payroll taxes, as well as their potential distortion effects, in terms of deadweight loss and displacement, if they are not targeted at the most disadvantaged workers or at the geographical areas where youth unemployment is particularly acute. Since the three-year exemption from social contributions envisaged by the afore-mentioned amendments of the Serbian labour law is universal in nature – i.e. it applies to every employed person who is under 30 or over 45 years old – the probability of deadweight and substitution costs is very high.

3.3.1. Employment protection legislation

In 2005 a number of amendments were introduced to labour legislation. Such amendments maintained the basic principles of the Labour Law of 2001, but featured higher severance payments, introduced retirement gratuity and experience pay, increased non-wage benefits and prescribed more stringent layoff procedures. Many of these steps were taken to protect existing employment, but they may also

47 The tax burden on a person earning an income equal to 33 percent of the average wage was, until end 2006, 47 percent, while the tax burden on a person earning eight times the average wage was 34.5 percent. See M. Arandarenko, *Transition from education to work. Serbia country report, ETF 2007, op.cit.*

48 S. Cazes, A. Nesporova, *Labour markets in transition. Balancing flexibility and security in Central and Eastern Europe*, International Labour Office, Geneva, 2003.

49 Arandarenko and Vukojevic, *Labor costs and labor taxes in the Western Balkans*, World Bank, Washington D.C., 2008, *op. cit.*

50 ILO, *Starting right: Decent work for young people*, Geneva, 2004; World Bank, *World Development Report 2007: Development and the next generation*, Washington D. C., 2006.

discourage new hiring. On the other hand, the sharp increase in young people's involuntary part-time employment, temporary contracts and other atypical forms of employment since the enactment of the 2001 labour law, point to a misuse by employers of the provisions of the reform. Such phenomena need to be closely monitored to avoid this form of employment becoming the norm, rather than the exception, for youth employment.

In 2008 the Employment Protection Legislation (EPL) for Serbia was 2.2, not far from the index measured for OECD and EU countries in the early 2000s and equal to the index calculated in 2003 for Austria, the Slovak Republic and Poland (see table 3.1).

Table 3.1: EPL indices, youth unemployment and temporary employment in the Western Balkans, OECD and EU countries

Country	Year	Component Indices			EPL Summary Index	Youth unemployment rate (2006)
		Regular Contracts	Temporary Contracts	Collective Dismissals		
Albania	2008.	1.8	1.9	3.4	2.1	12.8
Bosnia and Herzegovina	2007.	2.0	2.9	3.3	2.6	62.3
Croatia	2003.	2.7	2.8	2.5	2.7	28.9
FYR Macedonia	2008.	2.1	3.8	3.8	3.1	59.7
Montenegro	2008.	2.6	1.1	3.8	2.2	59.5
Serbia	2008.	2.0	1.9	3.6	2.2	47.7
EU 15 Average	Early 2000s	2.4	2.0	3.4	2.4	15.7
OECD Average	Early 2000s	2.0	1.8	2.5	2.0	15.1

Note: The EPL index measures the degree of strictness of employment protection legislation.

The index ranges from 0 (very liberal) to 6 (very restrictive).

Source: ILO database

The reform of the Labour Law, however, needs to be complemented by a properly functioning judicial system, institutions that effectively ensure implementation and targeted, effective and affordable support programmes for jobseekers, especially those who are more at risk of exclusion. It is often argued that youth unemployment and informal employment arise largely as a response to high labour costs. Recent studies have focused on both minimum wages and payroll taxes as a means of curbing youth unemployment and reducing informality among young workers.⁵¹ The evidence from several countries suggests that any negative effects of minimum wages on the employment prospects of young people are negligible. In Serbia the level of the minimum wage is not considered as a deterrent to job creation, as it amounts to only 40 percent of the average wage.

⁵¹ See Cazes and Nesporova, *Labour markets in transition: Balancing flexibility and security in Central and Eastern Europe*, ILO, 2003. This research found a statistically insignificant impact of the strictness of employment protection legislation (EPL) on youth employment in Central and South Eastern European countries and emphasized that the degree of strictness of EPL influences the type rather than the number of persons who are unemployed.

3.3.2. Active labour market policies

The National Employment Service (NES) – organized around a nationwide network of 34 branch offices, two provincial offices and one Head Office in Belgrade– offers a number of active labour market programmes (ALMPs). These include advisory and mediation services (career counselling, vocational guidance, job fairs and job mediation), additional education and training, vocational rehabilitation and employment of people with disabilities, self-employment and entrepreneurship development services. The training programmes contracted by NES normally last up to three months and include: (i) basic training to improve the skills of jobseekers with little or no education; (ii) training for current and future skill needs; and (iii) employer-focused training to meet the needs of enterprises. During the first years of transition, NES spent only a small part of its overall budget (between 4 and 8 percent) on ALMPs. The income from the unemployment insurance levy covers only 60 percent of the NES budget, which is spent almost entirely on unemployment benefits. In 2007, the NES spent approximately USD 44 million in ALMPs, 57.6 percent for entrepreneurship and self-employment development, 34 percent for education and training programmes, 6.2 for public works, 1.8 percent for the severance-to-job programme and 0.4 percent in active job search and job fairs.⁵² During the same year, active labour market programmes covered over 91 percent of all registered unemployed. Approximately 41 percent of active labour market programmes target first-time job seekers and more than 21 the long-term unemployed.

As a result of all the activities undertaken by the NES – individual employment plans, motivation training, employment fairs and job clubs– nearly 67,000 people entered employment in 2006, which is more than a 40 percent increase in comparison to 2005 (even though the allocation for ALMP actually decreased by 0.3 percent). Call centres were opened in the Belgrade, Nis and Novi Sad branch offices and their services were used by more than 41,000 unemployed people and over 4,500 employers. Unfortunately the employment impact of these new measures is still unknown. In 2006, the programme of individualized employment plans was implemented for the first time for newly registered job-seekers. More than half the newly registered unemployed have passed through the programme, which makes it the most successful measure among ALMPs. The data on the impact of the individualized employment programme indicates gross placement rates ranging from 6 to 25 percent.⁵³ The data available for 2007 indicates increased impact for career counselling and guidance programmes (a 2 percentage points increase in the share of people employed after participation); lower impact for additional education and training (-4 percentage points) and job subsidies (-3 percentage points).

Analysis conducted recently on the impact of active labour market policies implemented in the period 2002-2007 highlighted a number of points.⁵⁴ First, the use of the resources available for ALMPs – albeit these reach a mere 0.1 percent of GDP – was less than optimal due to delays in implementation caused by administration changes; weaknesses in policy design, programme mix and labour market information; as well as sketchy programme design and monitoring. Second, the expansion of career guidance and counselling services as of 2005 coincided with an increase in gross annual placements and significant drops in registered unemployment. In addition, these programmes were found to be the most cost-effective among those screened in terms of spending per participant and employed individual. Third, the training programmes offered by NES may have assisted young educated labour market entrants in improving their position. However, the impact on the unemployed with a low level

⁵² NES, *Report of activities 2007, Belgrade 2008 op.cit*

⁵³ Data reported in May 2006. CARDS 2004 Programme “Functional analysis and review of the National Employment Service of the Republic of Serbia”, Belgrade 2006

⁵⁴ M. Arandarenko, G. Kristić, *Impact analysis of employment policy and active labour market programmes in the Republic of Serbia, 2003-2007, Belgrade, September 2008. Such assessment was commissioned by the PRS within its policy monitoring and evaluation framework*

of education is negligible.⁵⁵ Third, self-employment and employment subsidies did not prevent formal self- and wage-employment from sinking. Finally, the assessment indicates that the performance of the NES in administering ALMPs has substantially improved. However, the proliferation of programmes and poor design was found to limit net impact.

3.3.3. *Passive labour market policies*

The two main passive policies in Serbia are cash unemployment benefits and severance payments (including those under the government's Social Programme). The unemployment benefits system does not represent a limiting factor to job creation as both the level of benefits and coverage are low (only 10 percent of individuals registered with the NES are entitled to unemployment benefit).⁵⁶ In addition, it hardly reaches young people due to absence of coverage for first time job seekers. The Social Programme is targeted at employees who become jobless through the privatization, restructuring or liquidation of enterprises. In 2003, this programme spent 5.4 billion dinars (equivalent to 0.5 percent of GDP). This is much more than the 0.9 billion dinars invested in ALMPs, or the 1.2 billion dinars spent on Material Assistance for Families, the main social assistance programme in Serbia. The households benefiting from this latter type of assistance numbered 48,000 in 2007, with an average cash entitlement per family of 4,707 dinars (roughly USD 30 per individual). Although the number of families benefiting from social assistance increased by 18 percent in the period 2002-2006, household social assistance coverage is still three times below the number of poor households that would need assistance.

3.4. Institutional framework and coordination on youth employment

Within the Government of the Republic of Serbia, there are a number of institutions deputed to deal with youth employment issue, including the Ministry of Economy and Regional Development, the Ministry of Labour and Social Policy, the Ministry of Education and the Ministry of Youth and Sport. The Social and Economic Council (SEC), established at central level in 2005, is a tripartite body responsible for advising the government on economic, social and education policy design, including youth employment. In addition to the central SEC, there are 119 local employment councils at the level of local self-government.

The macroeconomic and fiscal guidelines are set for the mid-term by the Memorandum on the Budget and Economic and Fiscal Policy, enacted every year. The institutions responsible for coordinating and implementing economic, fiscal and monetary policies are the Ministry of Finance, the Ministry of Economy and Regional Development and the National Bank of Serbia.

The Ministry of Economy and Regional Development – established by the Government which took office in May 2007 – is responsible for economic and industrial policy (including privatization), SME promotion, regional development, employment and tourism. The Employment Department of the Ministry is currently divided into two Sectors with a State Secretary and an Assistant Minister leading the Department. The mandate of the Employment Department covers the design, monitoring and evaluation of the employment policy and national action plan; analysis of labour market trends,

⁵⁵ This is due to the design of the training programme offered by the NES, focused mainly on classroom based teaching in topics such as computers and foreign languages. Opportunities for enterprise-based training geared to provide the unemployed with job competencies are few and far between.

⁵⁶ ILO, Council of Europe, Country review of the employment policy of Serbia, 2006

especially with regard groups at risk of labour market exclusion (young people, older workers, people with disabilities, redundant workers); participation in shaping national policies with an impact on employment (for example the reform of the education system); and monitoring of the national qualification and occupation system.

The new organizational framework of the Ministry of Education comprises eight sectors and nineteen school directorates. To improve quality, the Law on Education and System Basis established the Institute for Education Improvement and the Institute for Education Quality and Evaluation. The National Education Council decides programmes, curricula and plans for primary and secondary education; drafts the exams to be taken in primary and secondary schools and provides opinions to the Ministry on all areas of the education system. The SEC provides opinions and advice on matters relating to vocational education.

The Ministry of Youth and Sport was established in 2007 and it encompasses three sectors (Sports, Youth and Project Management). The Ministry developed a National Youth Strategy and accompanying action plan (2008-2014), which was adopted by the Government in mid 2008. The strategy includes the following strategic directions: i) improving youth participation (in society, education, employment and political life); ii) increasing employability by expanding formal and informal learning opportunities; iii) promoting and protecting young people's health and safety; and iv) enhancing youth opportunities for self-expression and achievement in different fields. The strategy also foresees the establishment of a Youth Coordination Office at central level and a network of youth offices at local level.

The National Agency for the Development of SMEs was established as the main instrument of SME policy implementation and it has now 16 regional agencies/centres. Since 2004 the competence for the registration of companies was transferred from commercial courts and local administrative bodies to the Serbian Business Register Agency (SBRA). Since this reform, the number of new companies registered increased by 10 percent annually. In response to the need to guarantee institutional financial support to SMEs, the Government established the Serbian Investment and Export Promotion Agency (SIEPA), the Agency for Export Financing and Insurance, the Guarantee Fund of the Republic of Serbia and the Serbian Export Credit and Insurance Agency. These institutions complement the support provided to SMEs by the Development Fund and the Fund for SME Development.⁵⁷

The coordination of the system of social insurance is entrusted to the Ministry of Labour and Social Policy (for pension and disability insurance as well as child benefits), the Ministry of Health (health insurance) and the Ministry of Economy and Regional Development (unemployment insurance).

3.5. Development cooperation and youth employment

There are two development initiatives aimed at easing the transition of youth from school to work, both under the coordination of the Ministry of Economy and Regional Development.

The ILO Project on youth employment promotion – funded by the Italian government with USD 1.2 million – started to address the youth employment challenge in 2007. The project aims at strengthening the capacity of labour market institutions to design, monitor and evaluate youth employment policies and programmes. The project's strategy is based on: i) embedding youth employment into overall employment and other economic and social policies; ii) strengthening the capacity of labour market institutions and the social partners in the design, monitoring and evaluation of youth employment

57 Republic of Serbia, National Programme for Integration with the European Union, Belgrade May 2008

policies and programmes; and iii) implementing targeted demonstration interventions through the establishment of a Youth Employment Fund (YEF). The YEF is envisaged to support a number of school-to-work transition activities (including internship schemes, work-experience programmes, enterprise-based training) as well as job creation initiatives such as employment and self-employment incentives. The ILO is also providing technical assistance to the Government of Serbia in the field of employment and labour within the framework of the Decent Work Country Programme (DWCP) for Serbia, signed in December 2008. The Government of Italy granted USD 1 million to the initiative to provide advisory services on formulating an active policy on employment; promoting employment opportunities for people with disabilities; improving the labour dispute settlement system; and enhancing the labour inspectorate capacity to enforce occupational health and safety provisions.

In 2009, the Millennium Development Goals Fund, financed by the Government of Spain, approved a joint programme of the ILO, IOM, UNDP and UNICEF aimed to increase youth employment and reduce the negative impact of return and irregular migration. The USD 6.1 million programme – Support to National Efforts for the Promotion of Youth Employment and Management of Migration – under the leadership of the Ministry of Economy and Regional Development, is centred on a three-pronged strategy touching upon policies, institutions and programmes that concur to the delivery of integrated employment and social services targeting disadvantaged young women and men. The programme builds on three interlinked outcomes aimed at: i) mainstreaming youth employment and migration policy objectives into national development strategies; ii) strengthening the capacity of national institutions to develop integrated labour market and social services, and iii) implementing a package of programmes on employment and social services.

Other initiatives, which have a bearing on youth employability and participation, are listed hereunder.

- The IOM recently received funding from the Italian government (€1.2 million) to support the Ministry of Youth and Sport in setting up the network of youth offices at local level. The project also aims at improving the social inclusion of young people by promoting their involvement in local communities.
- The UNDP will be supporting the Ministry of Youth and Sport during the implementation of the National Youth Strategy. Specifically the project aims at strengthening the capacity of the Coordination Unit (MYS) to monitor the implementation of the strategy and to provide small grants for NGO projects developed and implemented in cooperation with local youth offices.
- The Ministry of Education has a number of initiatives in the pipeline under the EU Instrument of Pre-Accession to improve the access of vulnerable groups to formal and non formal education, as well as improving education infrastructure (Education Infrastructure Investment Programme, €23million) and the education information system (Provision of Equipment for the Education Information System, €1.3million). Another set of initiatives revolve around the establishment of virtual enterprises in VET schools, the setting up of a Centre for Information and Education to provide career guidance to students; the introduction of entrepreneurship education (Implementation of the Oslo Agenda for Entrepreneurship Education, €1.9 million); the development of a national examination system (€4 million) and the establishment of a functioning system for the provision of adult education (Second Chance– Systemic Development of Elementary, Practice-Based Adult Education, € 7.5 million).
- The Preparedness, Planning and Economic Security Programme (PPES) funded by USAID, has set as one of its upcoming goals the promotion of entrepreneurship and the strengthening of leadership, business and communication skills among young people. The programme provides support to young people directly and to institutions deputed to youth development and entrepreneurship.

Finally, a joint programme of the ILO, UNDP and UNICEF – Strengthening the capacity for inclusive local development in Southern Serbia, financed by the Governments of Sweden, Norway and Switzerland, envisages, among others, technical assistance and advisory services to the Ministry of Economy and Regional Development for the pilot testing of a competency-based training system for the unemployed to redress poor educational outcomes and lack of qualifications that are key determinants of labour market disadvantage and social exclusion in South Serbia.

PART II – PRIORITY POLICIES

1. Problem identification

The economic reform programme launched in 2001 to accelerate the transition to a market economy contributed to reverse the trend of decreasing industrial activity and GDP that characterized Serbia's development in the 1990s. Strong economic growth led to an expansion of the private sector, an increase in domestic demand, and booming foreign direct investment. Despite progress, employment remains a pressing challenge. The data on the youth labour market, in particular, indicates that:

- Educational attainment is a strong determinant of both labour market status and poverty risk. Young people with low educational attainment experience higher inactivity and unemployment rates and lower employment rates. Also, they more likely to be employed in low quality jobs, under precarious working conditions – often in the informal economy.
- Despite increasing educational attainment, many young people in Serbia face problems in making a smooth transition from education to work due to the mismatch between education outcomes and labour market requirements. While some will, eventually, make it into a permanent job, a significant number remain trapped in temporary and low-paid jobs from which they find it difficult to exit. The labour market indicators of the 15-24 age group, compared to those aged 25-34, show that labour force participation and employment rates increase three-fold and unemployment decreases by half when young people enter adulthood. A worrying aspect of youth transition is the large share of young people neither in school nor in employment. In 2007, nearly a third of the young population – e.g. 247,000 young Serbians – were neither in employment nor in education or training (NEET).
- Employment in the informal economy remains pervasive, with approximately 50 percent of all young workers exposed to it. Work in the informal economy appears to be the only opportunity for low-skilled young workers and a means for many others to gain the work experience sought by employers.
- The economic and social policies pursued to date had little impact on youth employment. Little attention was paid to addressing the constraints enterprises faced in creating more jobs. Administrative barriers to business start-up and expansion, limited financial and non-financial support, high non-wage labour costs combined with an insufficiently developed industrial policy still hinder the employment potential of many enterprises in the private sector. The delay in the restructuring and privatization of state- and socially-owned enterprises has slowed the establishment of a competitive private sector, which dominates in the trade sector, but not yet in manufacturing.
- Although there is a general lack of decent work opportunities for youth, not all young people face the same risk of being excluded from the labour market. Young women, the poorly educated, youth living in rural areas and in less developed regions are more likely to be unemployed than other groups of young people. No systematic information is available on youth employment outcomes by national origin, but there are strong indications that young Roma, IDPs and refugees face additional barriers in securing employment.

The policy mix pursued to date considered employment as being a derivative of sound macro-economic policy, rather than an objective in itself. The monetary and fiscal policies adopted in that period succeeded in stabilizing the balance of payments and in reducing inflation, but failed to promote employment growth. The enterprise development strategies enacted to improve the legal framework and access to financial and non-financial services had a positive impact on the business climate. However, enterprises still face a number of constraints to productivity, both endogenous (i.e. management capacities, technology and equipment; skills base of the workforce and access to resources) and exogenous (i.e. effective state institutions and policies, an enabling business environment and a properly functioning judicial system) that will need to be addressed in the medium to long term.

The strategies adopted so far to address the informal economy have been sporadic, mainly focused on reducing the corporate tax burden on enterprises, with little attention paid to the determinants of informality for both enterprises and workers. As a consequence, these measures yielded limited results in terms of moving workers and enterprises to the formal economy.

The education and training system is currently unable to address the employability challenges faced by young Serbians. The increase in the overall quantity of education was not matched by an increase in quality and relevance. Lifelong learning opportunities and the possibility for early school leavers to return to education and training are still limited both in terms of quantity and quality. The relations between the VET system and industry are weak, most curricula are still focused on narrow occupations and learning methods are still teacher-centred. Furthermore, the lack of a qualification framework, a national occupation classification that reflects new competencies, and reliable labour market information system, complicates matters.

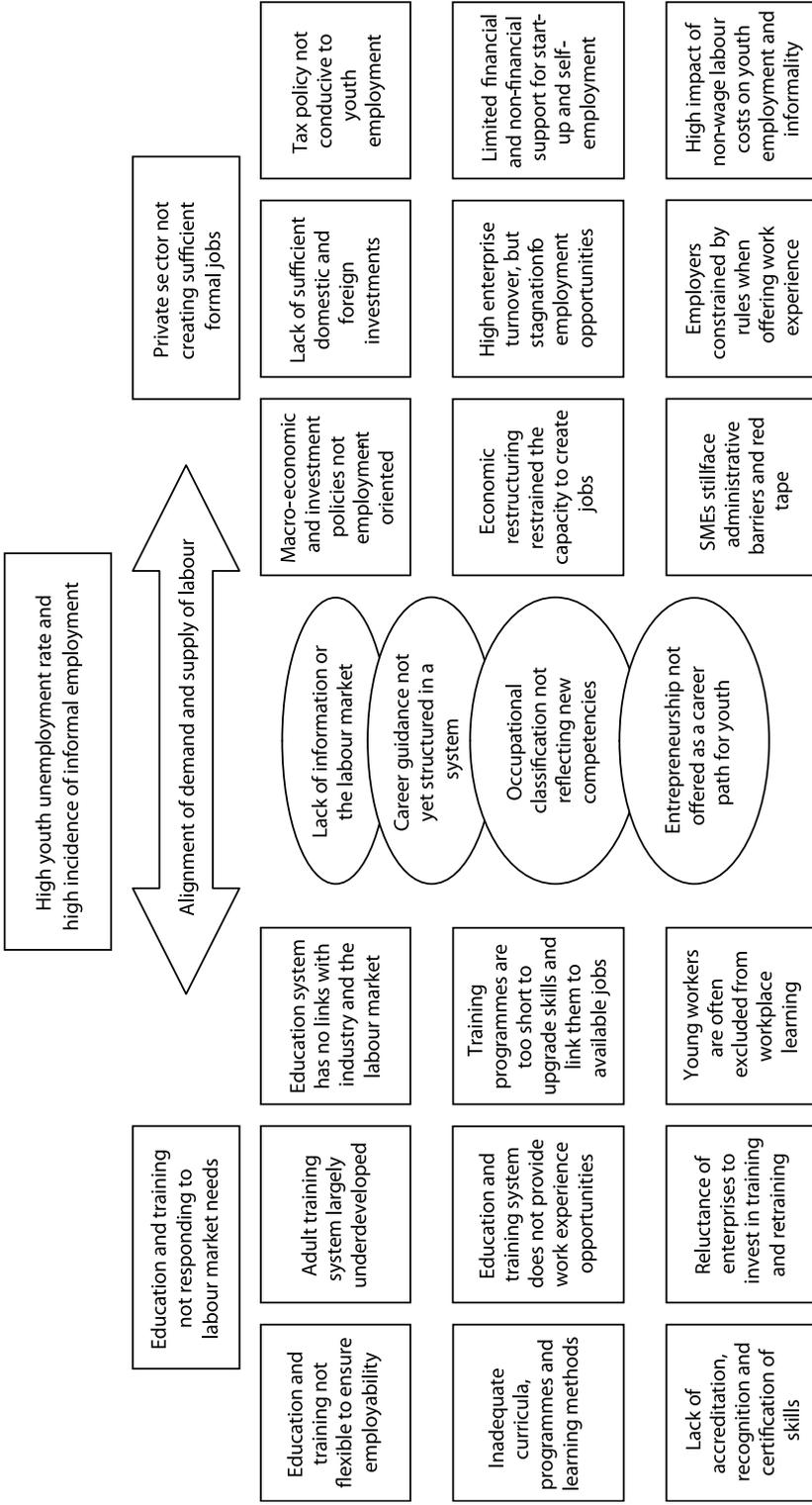
Regional disparities in Serbia are amongst the largest in Europe and they have been increasing over the last few years. One of the main determinants of poverty in less developed regions is unemployment, whose roots must be looked for in poor educational attainment and skills mismatching.

Box 1 provides a summary of the main problems identified, while the main cause/effect relation is illustrated in the following graph.

Box 1: Main youth employment determinants

Macroeconomic framework	<p>High external trade deficit; foreign direct investment still brown-field and attracted by the privatization process; low level of qualifications of the workforce;</p> <p>Low youth employment elasticity to GDP growth; domestic investment levels still insufficient to boost employment-rich growth; low capacity of the formal economy to create jobs, while the informal economy is thriving; fiscal and monetary policies not geared to employment creation;</p> <p>Employment considered as a derivative of sound macro-economic policies and not an objective in itself;</p> <p>Labour market status affects poverty: the highest poverty risk is experienced by households whose members are inactive or unemployed.</p>
Education and training	<p>Lower enrolment rates in secondary and tertiary education with respect to EU-average; low graduation rates in tertiary education; high share of non-participation in all levels of education of poor children, Roma, refugees, IDPs and rural population.</p> <p>Inadequate education inputs leading to poor quality of education outcomes; lack of relevance of education outcomes to labour market needs; poor linkages with industry and the world of work; entrepreneurship education limited to a few pilot schools.</p> <p>Low level (quantity and quality) of adult training provision, no competency-based system linked to the world of work; few lifelong learning opportunities.</p> <p>Qualification and certification system as well as recognition of prior learning still not available.</p>
Enterprise development	<p>Low job creation capacity of enterprises in the formal economy, endogenous and exogenous productivity constraints.</p> <p>Framework for the promotion of SME in place, but slow implementation; administrative barriers (red tape) still hindering enterprise start-up and expansion;</p> <p>Funds for the promotion of SMEs, local development, infrastructure and agriculture poorly coordinated, with burdensome procedural requirements.</p> <p>Insufficient youth entrepreneurship initiatives, limited access of young people to credit facilities, advisory services and networks; no entrepreneurship education in school curricula.</p>
Labour market	<p>Rapid ageing of the population which together with informality is pressuring the already weak social protection system;</p> <p>Low participation of women and young people in the labour market, slow increase in employment rates and high percentage of long term and very long-term unemployed among the working age population;</p> <p>High rates of temporary, casual and seasonal employment of youth compared to adults; increased incidence of informality among young workers;</p> <p>High non-wage labour costs that discourage youth employment and promote informality; difficulties in enforcing labour protection legislation;</p> <p>Poor design and targeting of active labour market policies (ALMPs), lack of linkages between passive and active measures; no impact evaluation of ALMPs; limited and ineffective instruments to overcome lack of work experience of young people;</p> <p>Lack of policy coordination to deal with the youth employment challenge and limited involvement of social partners in policy design, implementation, monitoring and evaluation.</p>

Chart 1: Cause/effect relation of high youth unemployment rates and incidence of the informal economy



2. Policy priorities

The guiding scenario (policy space available) for the identification and evaluation of youth employment policy options is provided by the Memorandum on the budget and economic and fiscal policy for the year 2009 with projections for 2010–2011 (updated in December 2008) as well as the short- and medium-term priorities set for each policy area in the National Programme for Integration with the European Union (NPI) and the National Sustainable Development Strategy (NSDS).⁵⁸ The macroeconomic projections were reviewed to account for the consequences of the global financial crisis on Serbia's economic prospects, as well as on neighbouring countries and the European Union, which are Serbia's main trading partners.⁵⁹ Growth is projected to slow to 2.5 percent in 2009 compared to an earlier forecast of 5.7 percent.⁶⁰ Weaker external demand, due to the cooling of demand in Serbia's export markets will affect investment and exports, while prospects for continued strong capital inflows will weaken substantially. The current account deficit makes Serbia particularly vulnerable to a reversal of capital inflows as a means to finance the current account deficit. As capital inflows become less predictable and exports decrease due to the slow-down of world economic growth, the prospect for reversing the current account deficit by 2010 dims.

The fiscal policy outlined by the Memorandum 2009 is centred on the containment of public expenditure as a share of GDP by keeping public wage increases in line with productivity growth and reducing the size of government, in conjunction with reforms to raise the efficiency of the public sector. This means that fiscal adjustment will be achieved through significant cuts in the level of recurrent spending (as a percent of GDP), improving spending efficiency and shifting public spending towards increasing fixed capital.

As GDP growth has been revised downward, the growth of employment will turn negative and unemployment is expected to increase to 19 percent in 2009. The employment level is likely to be affected by an increase in lay-offs (partly due to remaining privatization, partly to bankruptcy of private sector enterprises that will exit the market due to the crisis) and stunted job creation. The job losses will affect certain groups of workers more than others. The already low rates of employment of young people may further decrease, given that youth employment is highly sensitive to the business cycle. An unfavourable credit environment – to control inflation surges – may also negatively affect self-employment and enterprise growth. The impact of the crisis on employment may be complemented by that on labour force participation, which is likely to decrease with lower returns on labour.

The above mentioned forecasts are based on current policies. That is why action to provide further fiscal stimulus and prudent monetary easing can help limit the decline in growth and sustain employment. Given that youth employment is dependent on the overall employment situation, expansionary policies are needed to generate higher rates of domestic investment, productivity and employment.

Based on the previous analysis and given the available policy space, the policy priorities to improve youth employment touch upon education, private sector development and labour market policies. Their interaction with macroeconomic and social policies, as well as their medium-term impact on youth employment, is assessed according to desirability, affordability and feasibility criteria in the following paragraphs. For each policy area, the analysis and evaluation of options builds upon the existing policy

⁵⁸ *The NPI envisages, among the economic priorities to be pursued for EU integration, the fight against the informal economy, the strengthening of the business environment, the promotion of employment and the improvement of the education system*

⁵⁹ *Forecasts of world economic growth are downloadable at the webpage of the International Monetary Fund: <http://www.imf.org/external/pubs/ft/weo/2008/update/03/index.htm>. A summary of the revised economic and fiscal policies is available in the Letter of Intent of the Government of Serbia to the IMF*

⁶⁰ *The update of the Ministry of Finance Memorandum 2009, projects an economic growth for Serbia of 3.5 percent in 2009 and 4.5 percent in 2010*

context and elaborates on expansions, additions and adjustments that are necessary to maximize the outcomes in terms of youth employment. Sweeping reforms are neither affordable nor desirable at this stage, given the volatility of macro-economic fundamentals at the present time. A progressive approach is preferred – centred on accelerating the on-going reform process – since this allows space for affordability and for policy re-formulation, should circumstances change, either positively or negatively.

2.1. Education and training

The Vocational Education and Training (VET) Policy White Paper and the Adult Education Strategy (2006) established the framework for improving the quantity and quality of education and training outcomes as well as strengthening the cost-effectiveness and efficiency of the VET system. Human capital development is also at the core of the Employment Strategy, the NSDS and the NPI. Such policy frameworks envisage: i) raising the quality of education and training to respond to the requirements of a knowledge-based society; ii) providing easier access to education and training for all; iii) easing the transition from school to work; and iv) aligning education and training outcomes to the requirements of the labour market. These strategic actions are focused mainly on preventive policy options – e.g. reform of all levels of the education system, which will mostly benefit the next generation of young Serbians – while little attention has been paid to curative policy options – e.g. addressing the current skills mismatch affecting young people. The high percentage of young people with secondary education attainment who are unemployed points to the fact that higher levels of education are not sufficient, in themselves, for entering and remaining in the labour market.

Although Serbia's education performance is improving, the pace of reforms has been progressing more slowly than that of key competitors in the region. The long years of disinvestment in new technologies and modern methods of work organisation within enterprises and the extent of the informal economy, suggest that a large section of the labour force may have the formal qualifications, but not the updated skills necessary for a market-based economy. More importantly, Serbian enterprises are investing little in human capital development and the share of firms that offer training to their workforce is below the average for other transition countries.

The key drivers of the reform consolidated in the Vocational Education and Training (VET) Policy White Paper fall short of introducing a competency-based approach and certification system, envisaged as the subject matter of the National Qualification Framework (NQF). Not taking remedial action, pending the unfolding of the reform of the education system, would only aggravate the situation of those young people enrolling into, and graduating from secondary education institutions – who then become unemployed. The causes and effects of the current shortcomings of the education and training system call for a more balanced mix of preventive and curative policy options touching upon vocational education reform and the establishment of a system for adult training.

To redress labour market disadvantages and social exclusion that are strongly correlated to a poor skills base, it is of the utmost urgency to introduce a system's approach to adult training that is firmly anchored on competency-based methodologies. This approach should set flexible entrance/exit paths so that workers get the types and levels of skills needed by enterprises. For this, human resources, methodologies, programmes and tools need to be developed and integrated into a system that links them to local economic development initiatives. This would allow both enterprises and employment offices to train people for occupations leading to sustainable jobs.

The following policy options are deemed affordable and feasible in the short- to medium-term to increase the relevance of education and training and facilitate the labour market integration of young people:

- *Reform the education system* – as already set forth by the strategies of the Ministry of Education– to: a) align education outcomes to labour market needs; b) make VET complementary to basic education, focused on broad occupational areas and providing work-experience as part of the curriculum; and c) address the risk factors leading to early-school leaving.
- *Establish a competency-based system for training and retraining* to: a) provide young people with skills leading to employment; b) increase the coverage and scope of adult vocational training provision; and c) remedy the lack of employment-related qualifications through a qualification and recognition of prior learning system;
- *Strengthen the link between schools and work* by: a) providing timely career information, education and guidance for young people in and out of school; b) providing work experience opportunities to ease their transition from school to work (combining school-based education with enterprise-based training).

2.2. Private sector development

Serbia needs high-quality investment to encourage economic growth and employment. The opportunity to advance such investments was provided by the large privatization proceeds that were channelled towards the National Investment Programme (NIP). The increase of fixed capital investment plays an important role in the economic and fiscal policies depicted in the 2009 Memorandum, while the introduction of a mid-term framework for investment planning, as a condition for defining strategic development projects, will ensure transparency and accountability. However, the full potential of the NIP in terms of economic and employment growth has not yet been fully exploited. Only half of the planned NIP spending is on fixed investment; the rest being spent on goods, services, subsidies and credit to enterprises. The criteria for project selection—guided more by speed of implementation than by a projects' contribution to economic and employment growth—warrants revision. Hence, a re-design of the NIP is needed to ensure high quality investments that will help Serbia achieve employment-rich growth.

The “enabling framework” for private sector development could be substantially advanced. Improving its efficiency, and foremost ensuring compliance, is feasible and affordable. In particular, the reform of non-wage labour costs as a tool for tackling youth unemployment and informality needs to be explored. Nurturing an entrepreneurial climate will: a) reduce transaction costs and increase the propensity of enterprises to invest (and thus increase productivity), b) reduce informality, and c) have an impact on the development of financial markets. The desirability of such options relates to the impact formal enterprise growth will have on youth employment.

Measures are already in the pipeline – as set forth by the Strategy for the Development of Competitive and Innovative SMEs (2008-2013) and accompanying Operational Plan – to address the ambiguity in the enterprise regulatory regime, eliminate administrative barriers to micro-, small- and medium-sized enterprise development, improving the quantity and quality of financial and non-financial services and improving the tax administration system to ease business operations. But the policy actions that address enterprise growth, youth employment and the fight against informality need to be better linked and coordinated. Thus, the policy options which are deemed relevant to improve decent work opportunities for young people relate to enterprise development, reducing the informal economy and promoting young people's rights at work. Such policy options are designed to complement those envisaged by the Strategy for the Development of Competitive and Innovative SMEs.

Informality matters because it deters investment and productivity growth. Breaking the cycle requires a careful approach that induces enterprises to comply with their obligations yet avoids driving them

out of business. This can be done by: a) tackling the root causes leading workers and enterprises to the informal economy, b) strengthening the enforcement of the labour law and enacting stiffer penalties for non-compliance, especially in those sectors that most employ youth, and c) establishing provisional measures to encourage enterprises and workers to move to the formal economy.

The following policy options are deemed feasible in the short- to medium-term to complement on-going investment and private sector development measures and improve their youth employment impact:

- *Foster employment intensive growth* by: a) shifting investment policies and plans towards initiatives with high (youth) employment impact; b) developing enterprise promotion policies that enhance investment in human capital and increase youth employment; c) adjust non-wage labour costs on the basis of impact evaluation results.
- *Reduce informality* by: a) reforming the labour inspection system, b) developing promotional measures to move workers and firms to the formal economy, and c) raising the awareness of young people on their rights at work.

2.3. Labour market policies

The formulation and implementation of an active policy on employment is of the essence to address the youth employment challenge in Serbia. Policies aimed at improving the employment prospects of youth should have a wider scope, while programmes need to be targeted to those who are more disadvantaged in the labour market, especially youth with low educational and training levels and young people living in rural areas. A new employment promotion law was developed and adopted, while the re-organization of the Employment Department of the Ministry of Economy, which is the main technical body entrusted with designing, monitoring and evaluating the employment policy, is already underway. This latter work will strengthen the labour administration functions of the Ministry of Economy and Regional Development (MERD) and its interactions with the NES and other line ministries. Employment measures need to take into consideration that labour market interventions aimed at addressing the multiple disadvantages faced by many young people need to be offered as a comprehensive package of employment services that include components of functional literacy, motivation and career orientation training, and a combination of institution- and enterprise-based training and job-placement schemes. The major issues that need to be addressed relate to access and impact assessment of employment and training services provided by the National Employment Service. To improve cost-effectiveness it is necessary to establish a periodic system of internal and external efficiency checks to verify impact. To improve efficiency, it is necessary to decentralize a number of responsibilities and tasks to local authorities, especially in the administration of labour market programmes. This requires the establishment of a well-defined and reliable performance monitoring system. The availability of timely and reliable labour market information is a sine qua non for implementing such a system. It is also important to put in place a follow-up mechanism providing information on the quality and the quantity of placements, together with a management system where each decentralized employment office identifies measurable outcomes to be achieved based on current endowments. Decentralization needs to be synchronized with effective coordination and guidance at central level and be accompanied by devolution of funding.

The active labour market programmes implemented by the NES to date have paid limited attention to addressing the disadvantages that many young people, especially young women, face in the labour market. In many instances, programmes fall short in the design of comprehensive packages

of employment and training services. Hence, the most affordable and desirable policy option is to improve the design of active labour market policies to: a) target both individual characteristics (e.g. sex, educational level, socio-cultural background) and the labour market disadvantages faced by young people; b) link them more closely to the world of work; and c) make them more responsive to the demands of the labour market. To improve such initiatives, adequate financial resources need to be made available and employers' and workers' organizations need to be more closely involved in their design, monitoring and evaluation. The policy options that are necessary to complement the existing mix of labour market measures to promote labour market inclusion are:

- *Reform the targeting and financing of ALMPs* by: a) developing an early profiling system for young unemployed; b) establishing a Youth Employment Fund to channel resources towards easing young people's transition to decent work; c) designing and offering sequenced programmes integrating components targeting both demand and supply, and d) establishing an appropriate monitoring and evaluation system to measure the net impact of programmes on young beneficiaries.
- *Integrate employment and social services* by: a) developing a common early identification mechanism; b) establishing a referral system between employment and social services; and c) designing measures addressing the multiple layers of disadvantages faced by vulnerable youth.

PART III – ACTION PLANNING

1. Goal

The overarching goal of the Action Plan on Youth Employment of the Republic of Serbia is **to contribute to the achievement of full, productive and freely chosen employment for young people.**

2. Specific youth employment objectives and targets

The Government is in the process of implementing the policy and institutional changes that are envisaged by the National Programme for Integration with the EU and national development strategies. Although the national employment strategy contains several elements of an active policy on employment, its objectives have few links with other economic and social policies. Hence, and in order to achieve the objectives of the youth employment policy, an effective labour market governance system at both central and local level is required. The first priority objective of the Action Plan, therefore, is cross-cutting and geared to:

1) **Strengthen the governance of the (youth) labour market**

The main target of this objective is the enforcement at central and local level of the active policy on employment aligned to EU and international standards.

Improving the quantity and quality of education provides the highest rate of return in promoting youth employability. Hence, the second policy objective of the youth employment action plan is to:

2) **Promote employment by enhancing the employability of young people.**

Such an objective has two targets: a 10 percent increase in the number of vocational education graduates employed in a career job and a 20 percent increase in the number of early school leavers acquiring competencies leading to a job.

The impact of the vocational education and training (VET) reform policy will yield results only on the medium to long term and to remedy education and training failures, lifelong learning opportunities will be fostered to address the employability needs of those young people who will not be able to benefit from improved VET outcomes. Conversely, increasing the employability of young people without addressing the capacity of the economy to create decent work opportunities will erode the benefits generated by a more educated youth workforce. Thus, the third priority objective is to:

3) **Foster youth employment through private sector development**

The target is a 4 percent increase in the employment rate of young people.

Quality of employment and decent work need to be actively promoted and informality reduced. To this end, the fourth objective is to:

4) **Improve decent work prospects for youth**

The target is a 5 percent decrease in the informality rate of young workers and a 10 percent decrease of enterprises operating in the informal economy.

Increasing the employability of young people, fostering the capacity of the private sector to create jobs and addressing informality will not, in themselves, be sufficient to address the needs of those young people who face multiple barriers in the labour market. Equity concerns demand that specific measures be enacted. Thus, the fifth and final objective of the Action Plan is to:

5) **Promote labour market inclusion of disadvantaged youth through targeted labour market measures**

The target is a 10 percent increase of disadvantaged youth participating in ALMPs and employed in a career job; and 4 percentage points decrease of disadvantaged youth who are not in employment, education or training (NEET).

The time frame of the Action Plan on Youth Employment is three years, from 2009 to 2011. This timeframe allows the alignment of the Action Plan to the mid-term budgetary planning framework and the objectives of the Employment Strategy.

The targets of the Action Plan build on the assumption that economic and fiscal policies will be adjusted in the light of the global financial crisis to sustain aggregate demand and domestic investment. If the worst case scenario unfolds, e.g. economic and fiscal policies fail to sustain domestic demand and labour demand contracts, the Action Plan targets will need to take account of the unfavourable economic cycle. Specifically:

- The impact of the economic and financial crisis on Objective one is deemed to be limited, as the outcomes designed for its attainment revolve mainly around the capacity building of labour market institutions. However, worsening economic prospects may induce local governments to divert resources towards passive instead of active measures to mitigate the impact of the crisis on individuals and households.
- The targets of Objective two will be a 5 percent increase in the number of VET graduates employed in a career job and a 10 percent increase in the number of early school leavers acquiring competencies leading to a job. As the attainment of this objective is measured in terms of youth employed, a slow-down of domestic growth will proportionally affect the employment prospects of youth more than those of adults.
- A general slow-down of the Serbian economy will hinder employment creation. Hence, the target of Objective three will need to be revised downward (e.g. a 2 percent increase in the employment rate of young people).
- As the economy slows and domestic demand and exports decelerate, enterprises will attempt to cut their costs by reverting to the informal economy. Hence, the policy mix envisaged under Objective four will serve to reduce informality, but at a slower pace. The targets will, consequently, be: a 2.5 percent decrease in the informality rate of young workers; and a 5 percent decrease of enterprises in the informal economy.
- Measures to contain public expenditures may have an impact on the total resources available for active labour market policies (ALMPs). However, in a scenario envisaging the improved design, targeting and cost-effectiveness of youth employment interventions, the target of Objective five of increasing the number of disadvantaged youth participating in ALMPs can be maintained, while the decrease in the number of youth who are NEET will not be more than 2 percentage points, as this target depends on the number of jobs created for young people.

Chapter 3 highlights the operational outcomes that will lead to the attainment of the above-mentioned objectives. The indicators designed to measure performance and progress over time were built on the best case and worst case scenarios and are summarized in the matrix appended in Annex 1.

3. Key outcomes and indicators

3.1. Strengthening the (youth) labour market governance system

The strategy to improve the (youth) governance of the labour market is based on a two-pronged approach that involves policy and institutional development aspects at central level, and the decentralization of employment policy implementation at local level. The implementation arrangements involve several line Ministries, agencies and local authorities (mainly under the lead of the MERD, NES and MLSP), as well as the social partners.

The outcomes designed and reported below revolve around three key areas: first, the re-organization of the Employment Department of the Ministry of Economy – which is the main technical body which designs, monitors and evaluates employment policy – around clusters of competence covering the whole employment policy cycle (i.e. analysis, planning, formulation, monitoring and evaluation of employment policy). Such work will strengthen the Department's labour administration functions and the interactions with the Ministry of Labour and Social Policy, the National Employment Service, the Labour Inspectorate and other ministries in charge of other economic and social policies. Second, the outcomes designed to improve youth employment prospects are very demanding on the NES. Although considerable progress has been made by the employment service in the attainment of the priority objectives set by the Strategy for Change (2006-2008), this has been uneven, with smaller employment offices still struggling to match effectively the needs of jobseekers and workers with those of the labour market. The devolution of the task has been slow, with most functions still centralized. The management by objectives approach – introduced with the assistance of the Swedish employment service – functions well in the pilot offices. However, the NES has been struggling to adapt and apply these approaches to the whole employment service network. Third, effective decentralization requires that the broader youth employment policy designed by the Government translates into concrete local projects that respond to the needs of the local labour markets. Hence, local government institutions and the social partners bear the responsibility to align local development strategies with the objectives set forth by the active policy on employment. This will require the capacity building of stakeholders at local level to prioritize employment interventions.

Against this backdrop, better governance of the labour market builds on three interlinked outcomes: 1) the Employment Department of MERD is re-organized around clusters of competence covering the whole employment policy cycle; 2) the NES service and programme reform is mainstreamed in all local employment offices, and 3) local partnerships for youth employment are established to coordinate implementation of employment programmes at district/municipal level.

The outputs of the ILO Project on Youth Employment Promotion in Serbia (capacity building to design, monitor and evaluate youth employment policy and programmes) and of the joint UN Programme Support to National Efforts for the Promotion of Youth Employment and Management of Migration (knowledge base on youth employment and migration, development of a labour migration policy and capacity building to establish a system that integrates employment, migration and social services) also constitute an integral part of this outcome and are not repeated here. Such outputs are detailed in the respective project documents and are implemented under the lead of the MERD.

Outcome 1.1 – *The Employment Department of MERD is re-organized around clusters of competence covering the whole (youth) employment policy cycle.*

- The provisions of the employment promotion law, aligned to the principles enshrined in ILO Convention No 122 (Employment Policy), Convention No 88 (Public Employment Services) and Convention No 181 (Private Employment Agencies), are applied at national and local levels;
- The Employment Department of the MERD is able to formulate, monitor and evaluate the employment policy.

Baseline: The new active policy on employment, aligned to the principles of EU and international standards, builds on the principles of the new employment promotion law (Official Gazette 36/2009), an employment policy that is at the centre of economic and social policy and an Action Plan that operationalizes interventions at central and local level. A better knowledge of the labour market in Serbia will be instrumental to setting up an effective monitoring system that continuously provides inputs on progress.

Effective labour market policies call for improved labour administration, efficient use of financial resources and better targeting and design of active labour market programmes. Hence, the government will move forward with the reform of labour administration envisaged in the Employment Strategy. This includes the capacity building of the Employment Department to analyze and plan as well as formulate, monitor and evaluate the employment policy.

Outputs 1.1.1

A functional analysis of the organisational structure of the Employment Department and an assessment of the roles and responsibilities of senior staff conducted;

Outputs 1.1.2

The Employment Department re-organized along the clusters of competence of the employment policy cycle;

Outputs 1.1.3

Monitoring and evaluation cycles of the active policy on employment regularly conducted.

Outcome 1.2 – *The NES reform mainstreamed in all local employment offices*

- Number of local employment offices using the management-by-objective approach;
- Number of performance evaluation cycles conducted by NES in the timeframe of the Action Plan.

Baseline: The performance in the provision of employment services and programmes among local employment offices differs due to different characteristics of the labour markets (labour force, characteristics and density of private sector enterprises, skills level of the workforce) as well as different financial and human resources endowments. Such differences need to be taken into account when establishing performance parameters and allocating resources.

This outcome envisages the mainstreaming of the NES reform to all employment offices with a view to introducing a tiered and profiled system to better respond to the different needs of clients. The reform of the NES envisages the establishment and use of a management-by-objective system, with the main lines of service policy (including performance targets) established at central level and with budgets available to local offices to administer targeted programmes. To improve efficiency, a number of responsibilities and tasks will be decentralized. Decentralization will be synchronized with effective coordination and guidance at central level and be accompanied by devolution of funding. Such an approach requires setting up: i)

a well-defined and reliable performance measurement system to monitor impact, ii) a mechanism to provide information on the quality and quantity of placements, and iii) a management system where each decentralized office identifies measurable outcomes to be achieved based on current endowments.

Outputs 1.2.1

A peer-to-peer system established to support smaller employment offices in the implementation of the management-by-objective system;

Outputs 1.2.2

An IT-based system developed and used by all NES branch offices to monitor performance of active labour market programmes and to record costs;

Outputs 1.2.3

Local offices autonomously carry out performance monitoring of employment promotion programmes targeting disadvantaged youth.

Outcome 1.3 – *Local partnerships for youth employment are established to coordinate the implementation of employment programmes at district/municipal level.*

- Number of local development strategies reviewed to embed youth employment objectives;
- Number of youth employment interventions co-financed by local self-government and central sources.

Baseline: A number of districts and municipalities have adopted and are pursuing local development strategies. Some of these include the promotion of employment and human capital development, but fail to design evidence-based interventions that will effectively tackle the challenges posed by local labour markets.

Local government institutions are increasingly required to take responsibility for a number of policy areas, to find the necessary financial resources and to monitor and evaluate the effectiveness and efficiency of the interventions administered. The capacity of local administration to address the youth employment challenge requires a major effort in both policy and programme implementation. In this respect, coordination between the central and local government agencies responsible for addressing youth employment issues will have to be strengthened. The capacity of local labour market institutions and that of the Local Employment Councils will be built to design, monitor and evaluate youth employment interventions targeted to local circumstances. The collection and analysis of monitoring data on youth initiatives will provide information for programme and policy adjustment. The data collection and analysis capacity of the participating local government institutions will be strengthened through their active involvement in this work.

Outputs 1.3.1

Local economic development strategies reviewed, including employment and youth employment policy objectives;

Outputs 1.3.2

The capacity of local labour market institutions to prioritize youth employment interventions based on evidence strengthened;

Outputs 1.3.3

Initiatives of social pacts on youth employment (Local Employment Councils) implemented in targeted districts/municipalities.

3.2 Increasing the employability of young people

The achievement of this objective builds on four interlinked outcomes: 1) the alignment of the education and training system to labour market requirements, as emphasized by the Ministry of Education's reforms; 2) the establishment of a competency-based adult training system to remedy skills mismatches; 3) the development of an accreditation and certification system for adult training provision; and 4) providing access to career development services to young people in and out of school.

Outcome 2.1. *Систем образовања и обуке је реформисан и усаглашен са потребама тржишта рада*

- 40 percent of students enrolled in three-year vocational education acquire the competencies demanded by the labour market (21,800 students);
- Drop out rate in secondary education decreased from 3.2 to 2.2. percent (the number of students leaving school early is decreased from 9,200 to 6,300);
- At least 5 percent of vocational schools have entrepreneurship education programmes (18 of the 368 vocational schools of Serbia);
- 5 percent of vocational schools' students participate in work-based learning and/or in school-to-work transition initiatives (e.g. 5,500 vocational students).

Baseline: The total number of youth enrolled in the 368 vocational schools of Serbia in the year 2007/2008 was 54,577 (17,582 girls). The estimated number of young people who leave this education stream prior to graduation is 9,200 (4,000 girls).

Increasing young people's employability involves making sure that they acquire the skills, knowledge and attitudes that will allow them to find work and cope with unpredictable labour market changes throughout their working lives. To prevent failure at school, it is necessary to intervene as early as possible and to persist with interventions to give young people at risk the best chances to overcome multiple disadvantages. Completion of basic education alone is not sufficient to ensure employability, but is a sine qua non for building those foundation skills that lead to employability. Vocational education needs to become more diverse, flexible and attractive to meet the interests of a wider range of young people. The linkages between general and vocational education will be broadened and include enterprise-based learning opportunities, while entrepreneurship training will be introduced in secondary and tertiary education

Improving the labour market relevance of education outcomes cannot be successfully implemented without close co-operation between education and training providers, higher education institutions and industries. Occupational standards, based on the competencies identified with industry will be instrumental for the development of VET curricula and training plans that are relevant for the labour market. The regular monitoring of learning outcomes and the employment rate of graduates will provide information on the results achieved (tracer studies and employers' surveys) to be mainstreamed in the system of education and training planning and forecasting. The achievement of this outcome will be monitored through the Education Management Information System of the Ministry of Education. The specific outputs leading to outcome 2.1 are:

Outputs 2.1.1.

Vocational standards developed on the basis of competencies identified in collaboration with enterprises;

Outputs 2.1.2.

Secondary school VET curricula modernized to include vocational and non-vocational skills and work-based learning;

Outputs 2.1.3.

A system for early identification and intervention established to support students experiencing difficulties in achieving learning outcomes;

Outputs 2.1.4.

The system for education and training planning and forecasting improved and used;

Outputs 2.1.5.

Entrepreneurial skills training introduced into secondary and tertiary education;

Outputs 2.1.6.

The relevance of education and training outcomes to labour market requirements monitored and evaluated on a regular basis.

Outcome 2.2. *A flexible entry/exit competency-based system for training and retraining is in place and provides skills leading to employment of young jobseekers, including school drop-outs.*

- 60 percent of young unemployed who left school early achieve recognized qualifications through competency-based training (CBT);
- 60 percent of young unemployed who participated in CBT training are employed in decent work in the occupation of choice 6 months after completion of the programme.

Baseline: The estimated number of youth who leave school early is 9,200 (4,000 girls), while the ones who end up in open unemployment are approximately 5,000 (2,000 young women).

The Ministry of Economy and Regional Development will establish, together with the National Employment Service, an employment-oriented, flexible entry/exit competency-based system. This will comprise: i) the establishment of a network of methodologists, trainers and curricula developers; ii) the design of curricula and training packages for emerging occupations; and iii) the introduction of competency-based modular training programmes that are based on labour market requirements. These programmes – firmly based on jobs, tasks and skills analysis – will aim to redress poor educational outcomes and lack of qualifications that are strong determinants of labour market disadvantage and the social exclusion of young people. Particular emphasis will be given to the development of curricula that facilitate the transferability of skills and include core competencies to support life-long learning skills. The five outputs that will lead to outcome 2.2 are:

Outputs 2.2.1

A skills' needs survey to align competency-based training programmes to labour market requirements conducted on an annual basis;

Outputs 2.2.2.

A national team of adult training methodologists trained and developing competency-based training (CBT) programmes;

Outputs 2.2.3.

Trainers of adult VET centres and NES training providers trained on CBT;

Outputs 2.2.4.

Flexible/modularized CBT packages for 10 priority occupations in demand developed and used;

Outputs 2.2.5.

Training programmes for young jobseekers, including school dropout, systematically delivered by training providers and leading to productive jobs.⁶¹

Outcome 2.3. – *An accreditation and certification system (either for work or for further education) for out-of-school youth is established and recognized by employers.*

- 2,000 out-of-school youth achieve a recognized qualification;
- The legal framework for national qualifications, inclusive of recognition and certification of formal, non-formal and informal learning, established;
- At least 100 public and private adult education and training courses accredited.

Baseline: In 2007, nearly a third of the young population 15–24, i.e. 247,000 young Serbs, were neither in employment nor in education or training. Of these, over 90,000 (46,000 young women) were out of the labour force. The share of 15–24 year-olds who attended some form of training (including computer, foreign languages and driving lessons) was 12 percent (105,000 people, 16,580 of whom are young women), while only 2 percent (or less than 9,000 youth) attended vocational training courses. Presently there is no accreditation system.

Based on the occupational standards developed, accreditation and certification arrangements will be established by the VET Council across the vocational education and training system as envisaged by the Ministry of Education's reform. The accreditation and certification system will expand public and private provision of adult education and training. Such a system will motivate individuals to enter and re-enter the education and training system by accrediting their work experience or prior learning. In the medium term, an efficient qualification system will help human resource planning and investment and may act as a signalling mechanism for investors. This outcome envisages two key outputs:

Outputs 2.3.1.

Standards for the recognition and accreditation of training programmes and providers established;

Outputs 2.3.2.

Recognition of a prior learning system developed and used to assess competencies acquired in non-formal settings.

⁶¹ *Decent work will be assessed through the following measures: a) employment contract (type, duration and alignment with employment protection legislation); b) individual desire to change jobs.*

Outcome 2.4. – *Young people have access to career development services*

- 10 percent of students (secondary and tertiary education) receive career information and guidance services (52,600 young people);
- 50 percent of youth registered in the employment service receive individualized and intensive career guidance and employment counselling (120,000 young people);
- Number of youth having access to labour market information (LMI) through the youth information points established at the NES and through Information and Communication Technologies (ICT).

Baseline: In the academic year 2007/2008 there were 288,160 students (145,068 girls) enrolled in secondary education and 238,710 young people (107,400 young women) enrolled in higher education institutions. The number of young people younger than 30 registered as unemployed in the NES was 241,813 (55.5 percent young women). In 2007, the share of young people less than 30 years old helped by NES with employment services and programmes was 41.7 percent of all unemployed, while the share of youth who received low-intensity employment services (labour market information, job search training, counselling and guidance) accounted for 79 percent of all youth registered as unemployed.

Well designed career education curricula help prepare students for a changing world of work. As the development of career education in the regular school system will take time, for curative purposes the resources of the NES will be tasked with the delivery of career information and guidance to students. Instrumental to this will be the design, production and dissemination – in and out of schools – of information material on career paths, industries, jobs and their requirements, as well as job navigations and Curriculum Vitae writing skills. This will improve the access of young people to updated and reliable labour market information. This Outcome encompasses three outputs:

Outputs 2.4.1.

Information on the labour market, industries, occupations and career paths collected, analyzed and systematically available to a wide range of users (individuals, institutions, community-based organizations, schools);

Outputs 2.4.2.

Career development services mainstreamed in secondary and tertiary education systems;

Outputs 2.4.3.

Career development services provided to youth by local employment offices, including through the use of Information and Communication Technologies (ICT).

3.3. Fostering youth employment through private sector development

The achievement of this objective builds on five interlinked outcomes: 1) investment policies and plans prioritize interventions with high youth employment impact; 2) enterprise development policies promote human resources development and youth employment growth; 3) work-training contracts are introduced; 4) the system of waiving non-wage labour costs is adjusted on the basis of impact evaluation results; and 5) employers' organizations develop youth entrepreneurship services.

Outcome 3.1: *Investment policies and plans prioritize funding measures on the basis of youth employment impact*

- At least 40 percent of the workers employed through projects financed by NIP are less than 30 years old, and 50 percent of these are registered with NES;
- Number of net jobs created for youth by the NIP in less developed regions.

Baseline: There is no data on the number of people employed through the implementation of projects financed by the National Investment Plan (NIP). Also, there is no reliable data to measure net job creation during prior periods.

The recognition of the importance of high-quality investment in the country's economic capacity and infrastructure is at the core of the NIP. The Memorandum on the Budget 2009 indicates that in 2007 an increase of 19.3 percent in fixed capital contributed an estimated 3.9 percent increase in GDP. However, the impact of such investment on job creation has been less straightforward. This is why the NIP planning process should be refined and interventions that have high (youth) employment impact should have priority. In particular, all proposed investment projects should be evaluated using a cost-benefit analysis and be aligned to medium-term human resource development priorities. The coordination between projects financed by the NIP and the active labour market programmes aimed at increasing human capital will minimize fund dispersion and contribute to local development priorities. Against this backdrop, this outcome encompasses three outputs:

Outputs 3.1.1

The project selection criteria of the NIP refined to comply with the objectives of regional development, employment, enterprise promotion and poverty reduction strategies;

Outputs 3.1.2

Bidding procedures under the NIP revised to favour initiatives that create jobs for young people;

Outputs 3.1.3

Projects funded by the NIP aligned to the human resource development programmes of NES branch offices in less developed regions.

Outcome 3.2: *A package of incentives is in place as part of enterprise development strategies to foster youth employment and human resource development*

- 2,000 young people employed in priority economic sectors/occupations (by type of contract, tenure and career prospects);
- Percentage increase in investments in priority economic sectors/occupations;
- 2,000 low-skilled young workers trained through the incentive scheme set up and percentage increase of companies providing training for their workers.

Baseline: The priority economic sectors identified by the National strategy of economic development (2006-2012) are high-tech sectors, namely the chemical and pharmaceutical industry, ICT, electronics and the processing industry. To construct the baseline for the above mentioned indicators it will be necessary to analyze the micro-data of the most recent Labour Force Survey, as the number of young people employed in the sectors mentioned above is not known, nor is the share of young people employed therein with full-time, permanent contracts. The percentage of GDP on investment was

18 percent in 2006, while at least 25 percent would be needed to achieve sustainable economic and employment growth. The share of small firms offering training to their workers is 20 percent, while for larger firms this share ranges from 30 to 40 percent.

This outcome proposes to complement the measures set forth by the Strategy for the Development of Competitive and Innovative SMEs and to address three key constraints to SME development: first, the gap between demand and supply of skilled labour; second, the administrative barriers and lack of credit opportunities that hinder SMEs' start-up and expansion; and third, the lack of incentives to invest in human resources in less developed regions.

The growing gap between demand and supply of skilled employees is one of the main obstacles to increasing investment and developing new branches of the economy. Companies are reluctant to offer personal/professional development and training to new recruits due to the cost of the investment and "poaching" risks that nullify investment returns. These constraints may be addressed by providing incentives and training grants to enterprises in sectors that have high youth employment elasticity. In addition, an incentive package targeting enterprises operating in specific economic sectors and/or employing young people in less developed districts and/or in priority economic sectors/occupations, will be established.

Red tape constraints (high administrative costs for business start-up, employees' registration, construction permits and tax compliance) may be tackled by establishing a fast-track system for small and medium size enterprises. In addition, the facilities granted to larger enterprises (use of IT for a number of administrative and tax purposes) should be extended to micro, small and medium-size enterprises.

Outputs 3.2.1

A survey to measure the youth employment elasticity of the various economic sectors conducted on an annual basis to identify priority sectors of intervention;

Outputs 3.2.2

Fast track for enterprise start-up and expansion established in sectors with high youth employment elasticity;

Outputs 3.2.3

Credit opportunities and other enterprise development services available to enterprises investing in priority sectors with high youth employment elasticity;

Outputs 3.2.4

Tax incentives granted to enterprises employing young people in less developed districts and/or in priority economic sectors/occupations;

Outputs 3.2.5

Fiscal and other incentives, including vouchers and training grants, provided to enterprises to improve the productivity of low-skilled young workers through human resource development and training.

Outcome 3.3 – *Work training contracts to promote first-time employment in the private sector are introduced*

- 4,500 young first-time jobseekers recruited through work-training contracts and 70 percent employed 6 months after programme completion;
- 4,500 secondary education students participate in work-based learning schemes and 60 percent are employed 6 months after graduation compared to non-participants.

Baseline: The number of first-time jobseekers registered with NES at the end of 2007 was 381,000 individuals (48 percent of whom were women). Currently the work-training contract typology is not available and to measure the success of this outcome it will be necessary to compare the net impact of this measure against the net impact of adult training and social security contribution waivers (measures under art. 45 of the Law on Mandatory Social Security Contributions). Also, work-based learning schemes are currently not available to students.

This outcome is geared to facilitate the entry of young people into the labour market by institutionalizing school-to-work transition programmes. It addresses the lack of work experience of newly graduated youth by offering enterprises the option of using, for a limited time, alternative forms of employment contracts that mix learning and work and whose social contribution payment is subsidized by the state. Such a school-to-work transition system will be complemented by work-based learning and practice opportunities for young people still at school. Young people participating in work-based learning will not be regarded as members of the enterprise, but as students under the jurisdiction and supervision of the schools. The organization of work-based learning for students will be based on partnership agreements between school and enterprise and is to be facilitated by the NES. School authorities, enterprises and the NES will decide on the general purposes and content of work-based learning, create or select training materials, establish routines for placing and supervising students, evaluate students' performance and settle issues such as legal liability (accident and health insurance), transportation, and so on.

Outputs 3.3.1

Work and learning contracts for first entrants in the labour market introduced in the employment and labour regulatory framework;

Outputs 3.3.2

A new system for enterprise-based learning opportunities (practice periods, work experience schemes, work-based arrangements) provided to graduating students to ease their transition to the world of work.

Outcome 3.4. – *The system of waiving non-wage labour costs is adjusted on the basis of impact evaluation results*

- Number of young workers permanently employed after participating in programmes under art. 45 of the Law on Mandatory Social Security Contributions compared to non-participants;
- An impact evaluation of non-wage labour costs on youth employment and informality conducted and lessons learnt fed into the development of evidence-based policies.

Baseline: In 2007, the number of young people (up to 30 years of age) employed through the waiving of social security contributions was 9,000 (data not disaggregated by sex). No assessment is currently available on the impact of non-wage labour costs on youth employment.

Research in CEE countries have found that youth unemployment tends to rise with higher payroll taxes. As employers in Serbia consider high payroll taxes as a major obstacle to the creation of new jobs, their reform is seen as an instrument to improve youth employment outcomes and reduce informality. To this end, the system of non-wage labour costs and its impact on employment, especially for young people, will be assessed. If a positive correlation exists, the government will consider whether there is fiscal space for a general or temporary reduction of payroll taxes. This decision will be informed by a net impact evaluation on youth employment of the amendment of article 45 of the Law on Mandatory Social Security Contributions for people less than 30 years of age.

Outputs 3.4.1.

The youth employment impact of the waiving of social security contribution (article 45 of the Law on Mandatory Social Security Contribution) assessed and recommendations used to develop evidence-based policies;

Outputs 3.4.2.

A system to monitor the impact of non-wage labour costs on youth employment established and functioning.

Outcome 3.5. *Youth entrepreneurship is promoted through the activities of employers' organizations*

- Number of youth less than 30 using the entrepreneurship information and advisory services established by employers' organizations;
- Number of enterprises established by young people participating to business competitions;
- Number of youth less than 30 using networking and mentoring opportunities;
- Number of enterprises that received employers' organizations services still in business after two years.

Baseline: There are a variety of services available to entrepreneurs through the employers' organization of Serbia, but none is specifically for young people. Business competitions, mentoring and shadowing are not yet used as a means to promote youth entrepreneurship.

Employers, as providers of jobs, have a key role to play in the promotion of youth employment. Employers' actions on youth employment – mobilized through their organizations – include encouraging companies to create new jobs through government programmes and incentives, establishing structured links between enterprises and schools and pooling resources to maximize certain activities (e.g. apprenticeship programmes, workplace learning, job banks). The employers' organizations of Serbia will directly support youth employment promotion in two areas: entrepreneurship training and the provision of targeted services for young entrepreneurs. Promoting self-employment and entrepreneurship learning among young people is a crucial first step. From school, through formal education and beyond, there are opportunities for employers' organizations to ensure that youth entrepreneurship programmes are aligned to real business needs. Teaching entrepreneurship skills through the school curriculum can pay large dividends later on – not only because it enhances students' employability, but also because it cultivates the "can-do" attitude that is essential for young entrepreneurs. Against this backdrop, employers will be more proactive in spelling out what they really need from school-based entrepreneurship programmes, especially with regards to management and financial skills, pricing and stocking, credit regulations and procedures, administrative requirements and so on. Employers will also participate in the preparation of entrepreneurship curricula and teaching materials. A range of targeted services will be put in place to support young, potential entrepreneurs in setting up their business, in particular: 1) information and advisory services (on taxation, regulations, liabilities, access to networking opportunities); 2) business competition and prizes, sponsored by established enterprises; 3) mentoring and shadowing opportunities.

Outputs 3.5.1.

Information resources and advisory services of employers' organizations provided to young entrepreneurs on a regular basis;

Outputs 3.5.2.

Business competitions that reward innovation among enterprises established by young people conducted on a yearly basis;

Outputs 3.5.3.

A mentoring system for young entrepreneurs put in place by employers' organizations.

3.4. Improving decent work prospects for youth

The achievement of this objective builds on a mix of incentives and penalties to decrease informality among enterprises and young workers. It builds on three interlinked outcomes: 1) the strengthening of the Labour Inspectorate and coordination among the various inspection services; 2) a system of incentives to promote the move from the informal to the formal economy; and 3) increased awareness among young people of their rights at work.

The review and constant monitoring of the determinants of informality – conducted jointly by the Ministry of Economy, the Ministry of Labour, employers' and workers' organizations – will inform the work to be undertaken. The research conducted by the Serbian trade unions (CATUS and Nezavisnost) in March 2008 reports that red tape barriers to enterprise development (licensing requirements, procedures for tax payment and so on) coupled with poor enforcement of legal provisions and lack of awareness among young people of their rights at work are the key determinants of the high level of youth informality in Serbia. The same reports indicate that the sectors most exposed to the informal economy are trade, agriculture, the food processing industry, construction and light manufacturing (wood and textiles).⁶²

Outcome 4.1. – *The labour inspection system is reformed to tackle informal employment, especially of youth*

- Percentage increase in labour inspections/penalties raised for non-compliance with labour legislation year on;
- Percentage increase in the number of young workers registered in sectors at risk of informality (services, trade, construction);
- Percentage increase in social contribution revenues.

Baseline: in 2007 the Labour Inspectorate carried out 4,600 inspections covering nearly 54,000 workers. As a result of these inspections, 750 workers were regularized, 568 cases were filed in civil courts and 11,136 decisions were issued by inspectors. In 2006, 52,000 inspections were conducted ex officio on informal employment in the trade, catering, construction and handicraft sectors. More than 16,000 individuals working informally were detected, 69 percent of whom were regularized. Total revenues collected by the Pension and Disability Insurance Fund in 2007 amounted to USD5 billion, of which USD 3.4 billion were revenues from salaried work.

The various inspection systems (labour, tax and health) will be provided with clear, transparent and coherent practice guidelines for conducting joint inspections and with a permanent system of information-sharing. This system will include other government agencies as appropriate (NES monitoring of unemployment benefit contributions), with a view to consolidate the knowledge base on enterprises,

⁶² *Analysis of the informal economy – National report of Serbia prepared by CATUS and Nezavisnost under the aegis of the ITUC project "Promotion of rights and representation of workers in the informal economy", Belgrade, 2008.*

industry sectors and compliance with legal requirements. To support the inspection work, enforcement agencies will jointly develop and distribute information material explaining the requirements of the current legal framework (protection of workers' rights, social security, taxes, obligations of employers in securing health and safety in the workplace and so on) and the benefits deriving from the regularization of enterprises and/or workers (improved performance and productivity).

Particular attention will be devoted to extending the scope and coverage of labour inspection – warning and penalty system – so as to encompass the informal economy, where youth are over-represented. As a matter of practice, serious violations detected by the labour inspectorate will be prosecuted immediately and the relevant information will be shared with other enforcement agencies. Such work will be informed by a review of the penalty system envisaged by the labour code for non-compliance with employment protection legislation. Amendments will be adopted if the penalty system does not constitute an effective deterrent to employment protection legislation violations.

Outputs 4.1.1

The legal framework governing the labour inspectorate jurisdiction amended to allow swift action on informal employment, especially in the case of young workers;

Outputs 4.1.2

The system of penalties for non compliance with the labour law is amended to deter both workers and enterprises from operating informally;

Outputs 4.1.3

A system of joint inspections, referral and information-sharing established among enforcement agencies (labour, health and tax inspection).

Outcome 4.2 – *Promotional measures to move young workers and enterprises to the formal economy are available*

- 8,200 informal young workers moved to the formal economy and still formal after 12 months

Baseline: The 2007 LSMS data reports that approximately 82,000 young workers (59,800 young women) were employed informally (e.g. 50 percent of all young workers).

Breaking the cycle of informality requires a careful approach that induces enterprises to comply with their obligations yet avoids driving them out of business. To accompany the stricter penalty system envisaged under outcome 4.1, a system of incentives will be established whereby enterprises moving from the informal economy will be given access to quality business advisory services, training incentives/grants, credit opportunities and the waiving of social security contributions. All these actions will be subject to strict monitoring and evaluation to minimize abuses and maximize impact.

Outputs 4.2.1

A system established to provide skill training grants targeting young informal workers (20-30 years of age) and enterprises employing youth informally;

Outputs 4.2.2.

Credit opportunities and other enterprise development services available to enterprises employing (young) workers in the informal economy;

Outputs 4.2.3

Tax incentives extended, on a temporary basis, to enterprises moving from the informal to the formal economy.

Outcome 4.3 – *Young people are informed and aware of their rights at work*

- One annual survey carried out on business sectors, the informal economy and youth employment;
- Three awareness and information campaigns organised by the Government and the social partners on the negative impact of the informal economy on workers and enterprise productivity;
- Number of young people sensitized on fundamental rights at work.

Baseline: The new questionnaire of the LSF, used as of 2008, will allow a more exact measurement of the number of young people engaged in the informal economy. However, such information needs to be complemented by ad hoc surveys aimed at identifying the root causes of informality among workers and enterprises. To date, the awareness-raising activities carried out by the social partners on the informal economy have been limited due to lack of funds. It is expected that the Ministry of Labour and Social Policy will join in to support future initiatives.

Productive and rewarding work is the most deeply felt aspiration of young people entering the labour market. For them, decent work is the very symbol of coming of age. However, the chances of young people in Serbia finding a good job after finishing school are minimal. Enterprises increasingly require a higher level of education coupled with work experience to minimize the little return on human resource investment. In order to gain the work experience that enterprises value, young people turn to the informal economy. This situation, coupled with little knowledge about their rights at work make young workers vulnerable to exploitation.

The government will support the conduct of surveys to better understand the factors shaping the informal economy and the magnitude of decent work deficits. The analysis of the legal framework and practices leading businesses to and keeping them in the informal economy will be a core area of such research. The Republic Statistical Office will include a component to measure the extent of informal employment relations and workers' entitlements in the yearly Labour Force Survey. Such research will provide inputs for: i) improving and/or reforming fiscal governance and labour administration; ii) raising awareness on the negative impact of the informal economy on worker's well-being, enterprises' development and domestic revenues; and iii) reviewing the structures and practices of employers' and workers' organizations to facilitate their participation and give a voice to workers and entrepreneurs in the informal economy.

The Ministry of Labour and Social Policy will organize nation-wide information and awareness raising campaigns on the negative impact of the informal economy. This will be complemented by the development of information and training material prepared jointly by the social partners and the NES to raise the awareness of young people about their rights at work, to be distributed through schools, employment offices and the local networks of the social partners.

Outputs 4.3.1

An ad hoc module on youth and the informal economy included in the annual Labour Force Survey (LFS);

Outputs 4.3.2

Information and training material on rights at work for young people prepared and disseminated through the network of NES, trade unions and employers' organizations and included in career development services in schools;

Outputs 4.3.3

Information and guiding session on rights at work provided during career education classes in secondary schools;

Outputs 4.3.4

Awareness and information campaigns organised by the Ministry of Labour and Social Policy and the social partners on the negative impact of the informal economy.

3.5. Promoting inclusion through targeted measures

The labour market measures adopted in Serbia over the recent past have largely neglected the need to combine employment and social services. Many interventions targeted highly-educated youth, while less attention was paid to targeting the most disadvantaged in the labour market and in society. Labour market institutions are now facing the challenge of developing strategies and measures to “treat” hard-to-place jobseekers. Evidence from evaluation of labour market programmes carried out in many countries shows that these interventions work when they are well designed and targeted at disadvantaged people, so as to place them in private sector jobs through a combination of measures. Against this backdrop, the promotion of social inclusion of young people facing multiple layers of disadvantage builds on two interlinked outcomes: 1) reform the targeting and financing of active labour market policies for disadvantaged young people, and 2) integration of employment and social services to better treat the most disadvantaged.

Outcome 5.1 – *The targeting and financing of active labour market policies is reformed to address the needs of the most vulnerable categories of young people*

- A Youth Employment Fund established to finance ALMPs targeting disadvantaged youth;
- Disadvantaged youth activation rate increased by 10 percent;
- Increase in the number of youth (less than 30 years old) profiled early by NES;
- Percentage increase of disadvantaged youth in ALMPs and employed in decent work.

Baseline: In 2007, the number of youth up to 30 years of age registered as unemployed in the NES was 241,813 (55.5 percent young women). Of these, it is estimated that at least 30 percent have a qualification level I to III (72,000 unskilled youth). There is no employment fund currently available in Serbia.

The evaluations of active labour market policies (ALMPs) carried out in EU countries suggests that these are more effective if they are well targeted to the needs of individual jobseekers and the labour market and that treatment should start as early as possible in the period of unemployment. However, offering individual treatment and access to programmes along with early intervention would require substantial human and financial resources. To this end, a youth employment fund will be established to channel the resources made available through public funding for active labour market programmes, regional development initiatives and those raised by technical cooperation contributions. The fund will sponsor the implementation of active labour market programmes targeting both labour supply and demand with the aim of: i) easing the transition to decent work of disadvantaged youth and informal young workers; and ii) supporting informal enterprises and young workers to move to the formal economy.

There is a premium on accurately identifying at-risk jobseekers early in their period of unemployment (profiling). But this is not in itself sufficient to guarantee appropriate responses— e.g. service provision

and programmes – that match both individual needs and labour market requirements. That is why the design and targeting system currently used for ALMPs needs to be revisited and constantly monitored and evaluated to ensure that this matching actually occurs in the most cost-effective manner. This work will therefore include: i) the development of an early identification and targeting system to treat youth who face multiple barriers to labour market entry; ii) the establishment of a youth employment fund; iii) the design and implementation of sequenced employment services and programmes; iv) the establishment of a performance monitoring system for the NES to inform both the allocation of human and financial resources and monitor performance in the implementation of ALMPs; and v) the conduct of net impact evaluations of programmes targeting young people. The NES will also design and use decent work measures to assess the impact of ALMPs on beneficiaries. The evaluation of the employment impact of these programmes will provide lessons for the development of a long-term financing mechanism for ALMPs at national level (National Employment Fund), which is expected to become an important pillar of the active policy on employment.

Outputs 5.1.1.

An early profiling system for youth developed and used in all branch offices of NES to segment young clients for priority intervention;

Outputs 5.1.2.

A youth employment fund established to finance employment interventions to smooth the transition of disadvantaged youth to decent work;

Outputs 5.1.3.

Parameters for a better allocation of financial and human resources for NES branch offices developed and used;

Outputs 5.1.4.

The design and targeting of active labour market programmes systematically monitored and evaluated;

Outputs 5.1.5.

A system for out-reach to the most disadvantaged categories of youth pilot-tested in NES branch offices.

Outcome 5.2 – *Employment and social services are integrated to address the needs and rights of disadvantaged youth*

- 3,000 disadvantaged young men/women using integrated employment and social services;
- 1,800 disadvantaged young men/women treated with integrated services employed in decent work.

Baseline: none.

Serbia is committed to fighting poverty and exclusion. Three dimensions prevail in marking whether individuals are excluded: i) poverty and at-risk of poverty (calculated in terms of disposable monetary income below the median), ii) activity status of individual and cumulative work intensity of household (employed, unemployed and inactive); and iii) level of education of the individual and of household members. These three dimensions are related and exacerbated by other individual factors (such as sex and ethnic origin): a low level of education limits employment opportunities; not having a job affects the disposable income of the individual and of the household; in turn, the fact of living in a poor household

tends to perpetuate disadvantage. Getting people into decent jobs is the one single factor capable of changing individuals' conditions and enabling them to become self-sufficient on a lasting basis.

Today nearly all OECD countries have put such employment integration at the very heart of their policies for tackling poverty and exclusion. Active policies, first introduced for unemployed jobseekers, have been extended to other benefit recipients. They typically combine tailored interventions; better service delivery by the public sector; an obligation for clients to participate in labour market programmes; and, sometimes, benefit sanctions for failing to participate.

As young discouraged workers and inactive youth in need of support are often invisible to public services, it is necessary to resort to a variety of instruments to reach them. Partnership involving a wide range of institutions, agencies and organizations – including regional and local governments, employers', workers' and civil society organizations – is key in building bridges between these individuals and available services.

Developing and delivering an integrated policy response entails the establishment of a system of support services geared to respond to the risk factors leading to exclusion and prevent the escalation of adverse circumstances, e.g. to make support services available to young people where and when they need them. The "where" and "when" is the most difficult hurdle to solve, given the variety of dimensions where social exclusion can have its cause and/or effect on young people (school, family and community) and the timing when they can occur (for instance during the transition from primary to secondary education, from childhood to adolescence, from living with the family to living independently). To overcome these difficulties, a multi-partite network and referral system will be established to connect employment and child and social protection services at central and local level.

An inter-ministerial coordination mechanism that brings together the MERD, MLSP, MYS, NES, Centres for Social Work (CSW) and other stakeholders will be set up to: i) review best practice of national and regional systems that integrate labour market, migration and social services; ii) identify the key features of the Serbian integrated service delivery system; iii) design the specific services to be provided and their mix; and iv) draft the procedural framework for operationalizing the system. To accompany such a referral system, the MERD and NES will develop a range of programmes and services geared to move young people and their families from welfare to productive work.

Outputs 5.2.1

A common early identification mechanism for social protection and employment services developed and pilot tested at local level;

Outputs 5.2.2

A referral system between labour market and social services for disadvantaged youth established and functioning;

Outputs 5.2.3

Integrated programmes developed by NES and financed by the youth employment fund to improve employment prospects of disadvantaged youth.

4. Resources

The total cost of the Action Plan on Youth Employment is estimated at €27,876,000 for the three year period, excluding monitoring and evaluation costs. Approximately €17,244,000 has already been pledged and/or made available either through the measures envisaged by the Government of Serbia (and already budgeted) or donor-funded technical cooperation programmes.⁶³ The remaining €11,032,000 required (e.g. approximately €3.6 million per year) will be raised through multi- and bi-lateral technical cooperation assistance. Table 4.1 at the end of this chapter summarizes the cost envisaged under each outcome and its source of financing.

The total number of young people directly benefiting from the interventions introduced by the Action Plan on Youth Employment is 18 percent of the total youth population aged 15 to 30, with 60 percent (approximately 139,000 young people) expected to be in decent work at the end of the period. The part that follows provides a detailed analysis of the costs envisaged for each outcome.

Outcome 1.1. – *The Employment Department of MERD is re-organized around clusters of competence covering the whole employment policy cycle (€1,200,000).* The responsibility of this outcome falls primarily under the mandate of the Ministry of Economy and Regional Development. Part of the total costs of this outcome (€820,000) has already been pledged by the ILO through its technical assistance to MERD and the Youth Employment Promotion in Serbia, as well the MDG-F joint programme on youth employment and migration. The remaining €380,000 will be raised through technical cooperation projects.

Outcome 1.2. – *The NES reform drivers are mainstreamed in all local employment offices (€300,000).* The responsibility of this outcome falls primarily under the mandate of the National Employment Service of Serbia. It is estimated that costs under this outcome, including staff development programmes, a peer-to-peer system, IT-based performance monitoring system and monitoring cycle, will be €300,000. The whole amount has already been pledged through the activities of the ILO project on youth employment, the joint programme on youth employment and migration and the UN joint initiative on inclusive local development in South Serbia.

Outcome 1.3. – *Local partnerships for youth employment coordinate the implementation of employment programmes at district/municipal level (€ 500,000).* The responsibility for this outcome falls primarily under the mandate of the Ministry of Economy and Regional Development, Ministry of Local Self-Government and of the social partners. The total amount under this outcome has already been pledged by the MDG-F programme on youth employment and migration.

Outcome 2.1. – *The education and training system is reformed and aligned to labour market requirements (total cost €2.5 million).* This outcome will be under the primary responsibility of the Ministry of Education. The costs of the reform of the VET system in the period 2009-2011 were estimated at €2,500,000. These resources have already been earmarked through an IPA project that will start in 2009.

63 Namely the ILO Project Youth Employment Promotion in Serbia (YEPS); the ILO package of technical assistance to the MERD; the joint ILO, IOM, UNDP, UNICEF programme Support to National Efforts for the Promotion of Youth Employment and Management of Migration financed through the MDG Fund by the Spanish Government and the joint ILO, UNDP and UNICEF Programme Strengthening the capacity for inclusive local development in South Serbia to be financed by the Governments of Switzerland, Norway and Sweden.

Outcome 2.2. - *A flexible entry/exit competency based system for training and retraining is in place and provides skills leading to employment of young jobseekers, including school drop-outs (total cost €3.8 million).* The responsibility of this outcome falls primarily under the mandate of the Ministry of Economy and Regional Development and of the National Employment Service. The cost of conducting annual skills needs surveys among enterprises is estimated at €100,000 for the period, decreasing in subsequent years. The training of a national team of adult training methodologists will cost approximately €100,000, while the training for practitioners of adult VET centres and NES training providers will be approximately €100,000. The development of flexible/modularized competency-based training packages for 10 priority occupations will cost €400,000. The delivery cost of training programmes will depend on the overall number of individuals and the occupations identified as priority. It is estimated that these costs will approximate €1 million per year (3,000 youth), while the administrative cost will amount to €100,000. Part of the funds required under this outcome (€1.5 million) was already pledged by the Governments of Sweden, Norway and Switzerland for the Joint Programme Strengthening the capacity for inclusive local development in South Serbia (JP inclusive development), and the joint programme on youth employment and migration. The remaining amount required (€ 2.3 million) will be raised through technical cooperation projects.

Outcome 2.3. - *An accreditation and certification system (either for work or for further education) for out-of-school youth is established and recognized by employers (€900,000).* The responsibility for this outcome falls primarily under the mandate of the Ministry of Education, the Ministry of Economy and Regional Development and of the NES. The costs for the Ministry of Education for accreditation are estimated at € 500,000 (already included under Outcome 2.1.). For the activities to be undertaken by the Ministry of Economy and the NES targeting young unemployed, €400,000 will be needed (2,000 young people), to be raised through technical cooperation projects.

Outcome 2.4. - *Young people have access to career development services (€540,000).* The responsibility for this outcome falls primarily under the mandate of the Ministry of Education, the Ministry of Economy and Regional Development and of the NES. The costs of the Ministry of Education are already accounted under Outcome 2.1. The cost envisaged to provide counselling and guidance services to 120,000 young people is €240,000 (already available in the Budget of the Government of Serbia), while the upgrading of the labour market information will amount to € 300,000 for the period, to be raised through technical cooperation projects.

Outcome 3.1. - *Investment policies and plans prioritize funding measures on the basis of youth employment impact (€200,000).* The responsibility for this outcome falls primarily under the mandate of the Ministry of Economy and Regional Development, the NES and Ministry of Finance. The introduction of an ex ante cost-benefit analysis to allocate funds and prioritize projects with a high youth employment impact will require €100,000. The alignment of NPI planning with local human capital strategies will require another €100,000. The whole amount of this outcome needs to be raised through technical cooperation assistance.

Outcome 3.2. - *A package of incentives is in place as part of enterprise development strategies to foster youth employment and human resource development (€ 4.724 million).* The responsibility of this outcome falls primarily under the mandate of the Ministry of Economy and Regional Development, the NES and the Ministry of Finance. The yearly survey on youth employment elasticity will cost approximately €50,000 for the first year, with sensible decreases thereafter (€20,000 annually). The fiscal and other incentives granted to enterprises for training low skilled workers will cost approximately €1 million (for 2,000 individuals), while enterprise development services will amount to another €2 million (such an

amount is already available through the yearly allocation of the Regional Development Fund and the SMEs Development Agency). The fast track system for start-up and expansion of businesses will cost €500,000 for the period. The overall amount set aside in 2007 for waiving social security contributions was approximately €7.7 million covering 13,600 individuals (66 percent of whom under 30). Hence, the cost envisaged for granting incentives to enterprises for the employment of 2,000 young people will be €1,134,000. The amount of €590,000 (youth employment elasticity survey and the fast track system for enterprise start-up), will be raised through technical cooperation projects.

Outcome 3.3. – *Work training contracts to promote first-time employment in the private sector are introduced (€2.25 million).* The responsibility of this outcome falls primarily under the mandate of the Ministry of Economy and Regional Development, the Ministry of Labour and Social Policy and the NES. The drafting of amendments to the current labour and employment framework has no costs, while the establishment of an enterprise-based learning system will cost €2.25 million (€250 for 9,000 young people). The amount necessary to operationalize work-training contracts will be raised through technical cooperation projects.

Outcome 3.4. – *The system of waiving non-wage labour costs adjusted on the basis of impact evaluation results (€136,000).* The responsibility of this outcome falls primarily under the mandate of the Ministry of Economy and Regional Development, the Ministry of Labour and Social Policy and the NES. The conduct of a net impact evaluation of individuals targeted by the waiving of social security contributions will cost approximately €100,000, while the monitoring system will cost approximately €12,000 per year. This amount will be raised through technical cooperation assistance.

Outcome 3.5. – *Youth entrepreneurship is promoted through the activities of employers' organizations (€116,000).* The responsibility for this outcome lies with the employers' organizations. The provision of information and advisory services to young entrepreneurs will cost €3,000 per year. The organization of business competitions will cost €33,000 per year, while a mentoring system will cost €8,000 for 20 entrepreneurs. Part of the resources necessary for the achievement of this outcome (€50,000) will be made available by the ILO Project Youth Employment Promotion in Serbia. The remaining resources (€66,000) will be raised by employers' organizations.

Outcome 4.1. – *The labour inspection system is reformed to take action on informal employment, especially of youth (2.5 million).* The responsibility of this outcome falls under the mandate of the Ministry of Labour and Social Policy in collaboration with the Ministry of Health and the Ministry of Finance. The reform of the labour inspectorate will cost approximately €1.5 million (this amount includes the modernization of the service as well as a staff development programme). The setting up of a joint system of inspections and information sharing will need to build on the interfacing of the respective IT systems (approximately €1 million). The whole amount necessary for the reform of the labour inspectorate system will be raised through technical cooperation projects.

Outcome 4.2. – *Promotional measures to move workers and enterprises to the formal economy are available (€4.640 million).* The responsibility for this outcome falls under the mandate of the Ministry of Economy and Regional Development, the Ministry of Labour and Social Policy and the NES. The system of training grants will cost approximately €1.640 million (€400 for 4,100 young workers). Another 4,100 youth will be included in the waiving of social security contributions (estimated cost €2 million already budgeted by the Government of Serbia). Credit opportunities and advisory services will amount to roughly €1 million

(already available through the allocation of the Regional Development Fund and the SME Development Agency). The funds for establishing the training grant system (€1.640 million) will be raised through multi- and bilateral cooperation projects.

Outcome 4.3. – *Young people are informed and aware of their rights at work (€320,000).* The responsibility for this outcome rests with the Ministry of Labour and Social Policy, the Republic Statistical Office and employers' and workers' organizations. The cost of an ad hoc module on youth employment and the informal economy will cost approximately €30,000 per year, while the information and awareness material on young people's rights at work will cost €50,000 (already pledged by the ILO Project Youth Employment Promotion in Serbia). The amount required for carrying out nationwide information and awareness raising campaigns will be approximately €100,000, while the sensitization activities of employers' and workers' organizations will cost €80,000. A total of € 270,000 will be raised through technical cooperation assistance.

Outcome 5.1. – *The targeting and financing of active labour market policies is reformed to address the needs of the most vulnerable categories of young people (€3,650 million).* The responsibility for this outcome falls primarily under the mandate of the Ministry of Economy and Regional Development, the Ministry of Finance and of the NES. The total amount of the youth employment fund will be €3 million (50 percent from the government of Serbia and 50 percent from technical cooperation projects). It is estimated that the setting up of the monitoring and evaluation system for ALMPs will cost approximately €300,000; the mainstreaming of the early profiling system will cost €200,000 and the introduction of out-reach practices in the NES will cost €50,000 per year. All the costs of this outcome have already been pledged through the ILO Project Youth Employment Promotion in Serbia and the joint programme on Support to National Efforts for the Promotion of Youth Employment and Management of Migration (YEM) financed by the Spanish MDG-F.

Outcome 5.2. – *Employment and social services are integrated to address the needs and rights of disadvantaged youth (€500,000).* The responsibility for this outcome falls primarily under the mandate of the Ministry of Economy and Regional Development, of the Ministry of Labour and Social Policy and the NES. The results of this outcome are envisaged by the joint UN Programme Support to National Efforts for the Promotion of Youth Employment and Management of Migration financed by the Spanish Government. The direct costs associated with this outcome total €500,000, excluding the youth employment fund (€3 million) already accounted for.

Table 4.1 Summary of costs and sources of financing the Action Plan on Youth Employment of Serbia

Outcome	Overall cost	Pledged	Source of pledged funds	Amount to be raised
1.1. The Employment Sector of MERD is re-organized	1.200.000	820.000	ILO technical assistance; ILO YE project, MDG-F YEM	380.000*
1.2. The NES reform is mainstreamed in all employment offices	300.000	300.000	ILO YE project, MDG-F YEM, JP inclusive development	0
1.3. Local partnerships coordinate youth employment projects at local level	500.000	500.000	MDG-F YEM	0
2.1. The education and training system is reformed	2.500.000	2.500.000	IPA Ministry of Education	0
2.2. A flexible entry/exit competency-based system is in place	3.800.000	1.500.000	JP inclusive development and MDG-F YEM	2.300.000*
2.3. An accreditation and certification system is established	(900.000)	(500.000)	IPA Ministry of Education (see 2.1.)	400.000*
2.4. Young people have access to career development services	540.000	240.000	Government of Serbia budget (NES)	300.000*
3.1. Investment policies and plans prioritize for funding YE projects	200.000	0		200.000*
3.2. Incentives in place to foster youth employment	4.724.000	4.134.000	Government of Serbia (waive social security contributions, RDF, SME Agency)	590.000
3.3. Work training contracts are introduced	2.250.000	0		2.250.000*
3.4. The system of non-wage labour costs is adjusted based on evaluation results	136.000	0		136.000*
3.5. Youth entrepreneurship developed by employers' organizations	116.000	50.000	ILO YE Project	66.000
4.1. The labour inspection system is reformed	2.500.000	0		2.500.000*
4.2. Promotional measures to move workers to the formal economy	4.640.000	3.000.000	Government of Serbia (waive social security contributions, RDF, SME Agency)	1.640.000*
4.3. Young people are aware of their rights at work	320.000	50.000	ILO YE project	270.000
5.1. The targeting and financing of ALMPs address the needs of vulnerable youth	3.650.000	3.650.000	Government of Serbia budget (NES ALMPs) ILO YE project, MDG-F YEM	0
5.2. Employment and social services are integrated	500.000	500.000	MDG-F YEM	0
TOTAL	27.876.000	17.244.000		11.032.000

NB: For the amounts indicated with an asterisk (*), the MERD will provide initial funding from annual ALMPs budget and raise the remaining amounts from donors.

5. Implementation and coordination mechanism

To maximize the impact of the Action Plan on Youth Employment, it is crucial to ensure its integration within development strategies and its alignment with the mid-term budgetary process of the Memorandum on the budget. Due to the overall youth employment situation, it is critical to ensure that policies and actions laid out move to implementation in an efficient and rapid manner, taking into consideration sequencing and prioritization. This requires the building of a strong central and local capacity to oversee and steer the implementation process. In addition, due to the long-term dimension of the youth employment challenge, it is necessary to develop sustainable institutional arrangements that will ensure the centrality of employment in public policies. The development of an effective coordination mechanism builds on the following elements:

- The relevant line ministries and government institutions will be responsible for the implementation of the policies and measures set forth in the action plan. Detailed programmes will be developed at central and local level to facilitate implementation and promote accountability. The existing administration structures and functions will be re-oriented to strengthen operational linkages. The group of experts of the various line ministries and the social partners who coordinated the development of the Action Plan will act as Advisory Board to the MERD and the Action Plan team during implementation.
- A working group (Action Plan team), comprising officials of the Analysis and Planning Unit, Active Employment Policy and Legal Affairs Sectors of the Employment Department of the MERD, will be tasked to oversee implementation. Regular progress reports will be presented to the Government. The Action Plan team will also work closely with the mechanism that coordinates donors' and technical assistance programmes at the Ministry of Finance. The team will liaise with the ministries involved in the implementation of the Action Plan, with the social partners and organizations representing the interests of young people. Local government institutions will be instrumental in the identification, planning and implementation of initiatives at local level. To this end, the Action Plan Team will provide assistance to local employment councils.
- Civil society organizations will play a critical role both in facilitating implementation and in monitoring the progress of the Action Plan. The permanent structures envisaged by the Youth Strategy will also be called upon to monitor progress in achieving youth employment outcomes.

The general responsibilities of key ministries and governmental agencies in the implementation of the Action Plan are provided in the matrix appended as Annex 1. The specific functions and responsibilities of sectoral ministries, technical departments and divisions in the implementation of the Action Plan will be detailed during the preparation of yearly work plans. The functions of the coordination mechanism are described in box 2.

Box 2: Coordination mechanism for the Action Plan on Youth Employment

<p>Ministry of Economy and Regional Development</p>	<p>The Ministry of Economy and Regional Development will provide overall coordination for the implementation of the Action Plan. The MERD will specifically:</p> <ul style="list-style-type: none"> • Establish a working group of Employment Department experts to provide technical support, advice and guidance in all aspects related to implementation of the Action Plan to partner Ministries as well as to the MERD and the NES. This team will prepare periodical progress and monitoring reports and it will assist in the preparation of the evaluation reports; • Facilitate the exchange of information and best practices among central and local government agencies and between the Government and civil society; • Keep the Action Plan Advisory Board (expert group that coordinated its development) informed of progress.
<p>Action Plan Team</p>	<p>After approval, the Action Plan team will:</p> <ul style="list-style-type: none"> • Provide advice and assist key Ministries to determine the appropriate programmes, tasks and workflow among ministries, local government institutions, agencies, civil society organizations and other institutions involved in implementation; • Design guidelines to assist key Ministries and local government in carrying out their work efficiently in the area of youth employment. In carrying out such work, the team will use the expertise of the Advisory Board; • Advise key ministries and local government institutions on technical matters relating to the implementation of youth employment programmes; • Provide assistance to donors’ and technical assistance coordination units in matters related to youth employment programmes and projects; • Monitor the achievement of Action Plan objectives and provide feedback to key ministries, local government and the MERD on the corrective actions needed; • Provide technical assistance on the follow-up to UN and other global and regional recommendations on youth; • Assist in the identification of research needs in the area of youth employment and contribute to research undertakings.

6. Monitoring and evaluation

The monitoring of the Action Plan will comprise the regular examination of the resources, outputs and results of policy interventions. It will be based on a system of information gathering and analysis of performance indicators. The Action Plan team and the MERD will have the responsibility to systematize the monitoring information generated by line ministries and local government for presentation to the Government. Each ministry involved will produce annual workplans that translate the Action Plan into operational activities. These will describe in detail the delivery of inputs, the activities to be conducted and the expected results as well as indicate schedules and persons and/or institutions responsible for providing inputs and producing the results. The matrix appended as Annex 1 provides the general frame for monitoring the results achieved.

The evaluation system will be integrated into the policy/programme cycle. Two evaluation exercises will be conducted: i) an interim evaluation in late 2010 and ii) an ex-post evaluation in 2012. The Action Plan team shall be responsible for coordinating both mid-term and final evaluation and for commissioning background research and surveys. Line ministries, local government and the social partners shall be responsible for gathering information and data, while the permanent structures of the Youth Strategy will present their own progress reports.

The mid-term evaluation will analyze the outputs and results of interventions, financial management, the quality of the monitoring and of its implementation. By comparison with the initial situation, it will highlight changes in the general context and judge whether the objectives remain relevant. This evaluation will also examine whether the evolution of Serbia's priorities and policies poses a problem of coherence. The mid-term evaluation will rely on information drawn from the monitoring system and from the overall context and its evolution into feedback into the management of action planning.

The ex post evaluation, to be carried out in late 2012, will judge the entire action plan, particularly its overall impact. It will account for the use of resources and will report on the effectiveness and efficiency of interventions and the extent to which expected outputs were achieved. The primary evaluative and research questions will regard the relevance, effectiveness, efficiency, utility and sustainability of the Action Plan. Specifically:

- **Relevance:** the extent to which the Action Plan objectives are justified in relation to needs, whether they were/are relevant and correspond to local and national priorities;
- **Effectiveness:** the extent to which the objectives were achieved; whether the interventions and means used had the expected impact; whether more could have been obtained by using different means;
- **Efficiency:** whether the objectives were achieved at the lowest possible cost and whether better results could have been obtained at the same cost;
- **Utility:** whether the expected or unexpected results are satisfactory from the point of view of direct and indirect beneficiaries;
- **Sustainability:** the extent to which the results and impact, including institutional changes, are durable over time and whether these will also continue in the absence of further financing.

The ex-post evaluation will use a combination of methods to measure overall impact: stakeholders' and beneficiaries' surveys as well as cost-effectiveness analysis. Evaluation details will be gathered through the use of primary data collected from the individuals directly involved in the intervention, secondary

data and qualitative techniques (surveys on focus group and control groups). This latter, in particular, will envisage for each intervention, the random selection of a control group consisting of eligible people excluded from participation. The ex-post evaluation will also relate the net impact of the intervention to the financial inputs needed to produce it. Hence, actors in the implementation process will be required to keep reliable track records of financial inputs.



ANNEXES



Objective: 1. Strengthen the governance of the (youth) labour market.							
Target (best case scenario) Active policy on employment enforced at central and local level							
Target (worst case scenario) Active policy on employment enforced at central and local level							
OUTCOMES AND OUTPUTS	INDICATORS		RESPONSIBLE UNIT	FINANCIAL INPUT		TIMEFRAME	
	Best case scenario	Worst case scenario		Not pledged/fund-raising	Pledged	Start	End
<p>Outcome 1.1 – The Employment Department of MERD is re-organized around clusters of competence covering the whole employment policy cycle</p> <p>Baseline:</p> <ul style="list-style-type: none"> • New law on employment promotion adopted, but not yet fully applied. • No monitoring and evaluation system used. <p>Outputs</p> <p>1.1.1 A functional analysis of the organisational structure of the Employment Department and an assessment of the roles and responsibilities of senior staff conducted.</p> <p>1.1.2 The Employment Department is re-organized along the clusters of competence of the employment policy cycle.</p> <p>1.1.3 Monitoring and evaluation cycles of the active policy on employment regularly conducted.</p>	<ul style="list-style-type: none"> • The provisions of the employment promotion law – aligned to international standards – are applied at national and local levels. • The Employment Department is able to formulate, monitor and evaluate the employment policy 	<ul style="list-style-type: none"> • No change 	<p>Ministry of Economy and Regional Development (MERD)</p>	<p>€380,000 (to be raised through technical cooperation 14 projects)</p> <p>€820,000 (ILO technical assistance, ILO YE Project, MDG-F YEM)</p>	<p>September 2009</p>	<p>December 2010</p>	

<p>Outcome 1.2 – The NES reform is mainstreamed in all local employment offices.</p> <p>Baseline:</p> <ul style="list-style-type: none"> • Management by objective approach not used in all employment offices. • No performance monitoring system. <p>Outputs</p> <p>1.2.1 A peer-to-peer system is established to support smaller employment offices in applying the management-by-objective system.</p> <p>1.2.2 An IT-based system to monitor performance of active labour market programmes and to record costs is developed and used by all NES branch offices.</p> <p>1.2.3 Local offices autonomously carry out performance monitoring of employment promotion programmes targeting disadvantaged youth.</p>	<ul style="list-style-type: none"> • Number of employment offices using management-by-objective approach • Number of performance evaluation cycles conducted in the timeframe of Action Plan 	<ul style="list-style-type: none"> • No change 	<p>National Employment Service (NES)</p>	<p>€300,000 (ILO/VE Project, MDG-F YEM and JP inclusive development)</p>	<p>September 2009</p>	<p>June 2011</p>
<p>Outcome 1.3 – Local partnerships for youth employment coordinate the implementation of employment programmes at district/municipal level.</p> <p>Baseline: None.</p> <p>Outputs</p> <p>1.3.1 Local economic development strategies reviewed to include employment and youth employment policy objectives.</p> <p>1.3.2 The capacity of local labour market institutions to prioritize youth employment interventions based on evidence, strengthened.</p> <p>1.3.3 Initiatives of social pacts on youth employment (Local Employment Councils) implemented in target districts/municipalities.</p>	<ul style="list-style-type: none"> • Number of local development strategies reviewed to embed youth employment objectives • Number of youth employment interventions co-financed by local self-government and central sources 	<ul style="list-style-type: none"> • No change 	<p>Ministry of Economy and Regional Development Ministry of Local Self-government (MLSG) Social partners</p>	<p>€ 500,000 (MDG-F YEM)</p>	<p>September 2009</p>	<p>December 2011</p>

Objective: 2. Promote employment by enhancing the employability of young people				TIMEFRAME	
Target (best case scenario) 10% increase of VET graduates employed in a career job (worst case scenario) 20% increase of early school leavers acquiring work competencies 5% increase of VET graduates employed in a career job 10% increase of early school leavers acquiring work competencies				FINANCIAL INPUT	
				Not pledged/ fund-raising	Pledged
OUTCOMES AND OUTPUTS		INDICATORS		RESPONSIBLE UNIT	December 2011
		Best case scenario	Worst case scenario		
<p>Outcome 2.1. The education and training system is reformed and aligned to labour market requirements</p> <p>Baseline:</p> <ul style="list-style-type: none"> • 54,577 young people (17,582 girls) enrolled in 368 vocational schools (2007/2008). • 9,200 young people (4,000 girls) leave prior to graduation. <p>Outputs</p> <p>2.1.1. Vocational standards developed on competencies identified with enterprises.</p> <p>2.1.2. Secondary VET curricula modernized to include vocational and non-vocational skills and work-based learning.</p> <p>2.1.3. A system for early identification and intervention established to support students experiencing difficulties.</p> <p>2.1.4. The system for education and training planning and forecasting improved and used.</p> <p>2.1.5. Entrepreneurial skills training introduced in secondary and tertiary education.</p> <p>2.1.6. The relevance of education and training outcomes to labour market requirements monitored and evaluated on a regular basis.</p>		<ul style="list-style-type: none"> • 40 percent of students enrolled in VET acquire the competencies demanded by the labour market (21,800 students); • Drop out rate in secondary education decreased by 1 percent (e.g. decrease from 9,200 to 6,300 youth); • At least 5 percent of VET schools have entrepreneurship education programmes (18 schools); • 5 percent of VET students participate in work-based learning or in school-to-work initiatives (5,500 students) 	<ul style="list-style-type: none"> • 20 percent of students enrolled in VET acquire the competencies demanded by the labour market (10,900 students); • Drop out rate in secondary education decreased by 0,5 percentage points (e.g. decrease from 9,200 to 7,750 youth); • At least 2 percent of VET schools have entrepreneurship education programmes (8 schools); • No change 	Ministry of Education (MoE)	<p>€2,500,000 (IPA, MoE)</p>

<p>Outcome 2.2. A flexible entry/exit competency based system for training and retraining is in place and provides skills leading to employment of young jobseekers, including school drop-outs.</p> <p>Baseline:</p> <ul style="list-style-type: none"> • 9,200 youth (4,000 girls) leave school early and 5,000 (2,000 girls) become unemployed. <p>Outputs</p> <p>2.2.1 A skills' needs survey to align competency based programmes to labour market requirements conducted on an annual basis.</p> <p>2.2.2 A national team of adult training methodologists trained and developing competency-based training (CBT) programmes.</p> <p>2.2.3. Trainers of adult VET centres and NES training providers trained on CBT.</p> <p>2.2.4 Flexible/modularized CBT packages for 10 priority occupations in demand developed and used.</p> <p>2.2.5. Training programmes for young jobseekers, including school dropouts, systematically delivered by training providers and leading to productive jobs.</p>	<ul style="list-style-type: none"> • 60 percent of young unemployed who left school early achieve recognized qualifications through CBT (3,000 people) • 60 percent of young unemployed are employed in decent work 6 months after CBT training. 	<ul style="list-style-type: none"> • 50 percent of young unemployed who left school early achieve recognized qualifications through CBT (2,500 people) • No change 	<p>Ministry of Economy and Regional Development (MERD) National Employment Service (NES)</p>	<p>€3,800,000 (to be raised through technical cooperation projects)</p>	<p>€1,500,000 (JP inclusive development and MDG-F YEM)</p>	<p>September 2009</p>	<p>September 2011</p>
---	--	--	--	---	--	------------------------------	------------------------------

<p>Outcome 2.3. An accreditation and certification system (either for work or for further education) for out-of-school youth is established and recognized by employers</p> <p>Baseline:</p> <ul style="list-style-type: none"> • In 2007 approximately 247,000 youth were not in employment, education or training (NEET). • Of these, over 90,000 (46,000 women) were out of the labour force. • 105,000 youth 15-24 (16,850 women) attended some form of training in the same year. • 9,000 youth attended vocational training courses. • No accreditation system. <p>Outputs</p> <p>2.3.1. Standards for the recognition and accreditation of training programmes and providers established.</p> <p>2.3.2. Recognition of prior learning system developed and used to assess competencies acquired in non-formal settings.</p>	<ul style="list-style-type: none"> • 2,000 out-of-school youth achieve a recognized qualification; • The legal framework for national qualifications, inclusive of recognition and certification of formal, non-formal and informal learning established; • 100 public and private adult education and training courses accredited. 	<ul style="list-style-type: none"> • No change • No change • 50 public and private adult education and training courses accredited. 	<p>Ministry of Education (MoE)</p> <p>Ministry of Economy and Regional Development (MERD)</p> <p>National Employment Service (NES)</p>	<p>€ 400,000 (to be raised through technical cooperation projects)</p>	<p>(€ 500,000) (IPA, MoE)</p>	<p>September 2009</p>	<p>December 2010</p>
<p>Outcome 2.4 Young people have access to career development services</p> <p>Baseline:</p> <ul style="list-style-type: none"> • 288,160 students (145,068 girls) enrol in secondary education and 238,710 youth (107,400 women) are in higher education institutions. • 241,813 young people less than 30 (55.5 percent) are registered as unemployed in NES. • Young people less than 30 treated by NES represents 41.7 percent of all unemployed registered. • 79 percent of youth registered received low-intensity employment services. <p>Outputs</p> <p>2.4.1. Information on the labour market, industries, occupations and career paths collected, analyzed and systematically available to a wide range of users (individuals, institutions, community-based organizations, schools).</p> <p>2.4.2. Career development services mainstreamed in secondary and tertiary education systems.</p> <p>2.4.3. Career development services provided to youth by local employment offices, including through the use of ICT.</p>	<ul style="list-style-type: none"> • 10 percent of students (secondary and tertiary education) receive career information and guidance (e.g. 52,600 young people) • 50 percent of youth registered in the employment service receive individualized and intensive career guidance and employment counselling (120,000 young people). • Number of youth having access to labour market information (LMI) through the youth information points established at NES and through ICT 	<ul style="list-style-type: none"> • 5 percent of students (secondary and tertiary education) receive career information and guidance (26,300 young people) • No change • No change 	<p>Ministry of Education (MoE)</p> <p>Ministry of Economy and Regional Development (MERD)</p> <p>National Employment Service (NES)</p>	<p>€ 300,000 (to be raised through technical cooperation projects)</p>	<p>€240,000 (GoS, NES)</p>	<p>September 2009</p>	<p>December 2011</p>

Objective: 3. Foster youth employment through private sector development.					
Target (best case scenario) 4% increase of the youth employment rate (worst case scenario) 2% increase of the youth employment rate					
OUTCOMES AND OUTPUTS	INDICATORS		RESPONSIBLE UNIT	FINANCIAL INPUT	
	Best case scenario	Worst case scenario		Not pledged/ fund-raising	Pledged
Start	End	Start	End	Start	End
<p>Outcome 3.1: Investment policies and plans prioritize funding measures on the basis of youth employment impact</p> <p>Baseline: None.</p> <p>Outputs</p> <p>3.1.1 The project selection criteria of the NIP refined to comply with the objectives of regional development, employment, enterprise promotion and poverty reduction strategies.</p> <p>3.1.2 Bidding procedures under the NIP revised to favour initiatives that create jobs for young people.</p> <p>3.1.3 Project funded by the NIP aligned to the human resource development programmes of NES branch offices in less developed regions.</p>	<ul style="list-style-type: none"> • At least 40 percent of the workers employed through projects financed by NIP are less than 30 years old • At least 50 percent of these are registered with NES; • Number of net jobs created for youth by the NIP in less developed regions. 	<ul style="list-style-type: none"> • No change 	<p>Ministry of Economy and Regional Development (MERD)</p> <p>National Employment Service (NES)</p> <p>Ministry of Finance (MoF)</p>	<p>€ 200,000 (to be raised through technical cooperation projects)</p>	<p>September 2009</p> <p>December 2010</p>

<p>Outcome 3.2: A package of incentives is in place as part of enterprise development strategies to foster youth employment and human resource development</p> <p>Baseline:</p> <ul style="list-style-type: none"> • The percentage of investment on GDP was 18 percent in 2006. • The share of small firms offering training to their workers is 20 percent. • 30 to 40 percent of larger firms train their workers. • No data on youth employment by priority economic sector. <p>Outputs</p> <p>3.2.1. A survey to measure the youth employment elasticity of economic sectors conducted on an annual basis to identify priority sectors of intervention.</p> <p>3.2.2 Fast track for enterprise start-up and expansion established in sectors with high youth employment elasticity (including one-stop shops).</p> <p>3.2.3 Credit opportunities and other enterprise development services available to enterprises investing in priority sectors with high youth employment elasticity.</p> <p>3.2.4 Tax incentives granted to enterprises employing young people in less developed districts and/or in priority economic sectors/occupations.</p> <p>3.2.5. Fiscal and other incentives, including vouchers and training grants, provided to enterprises to improve productivity of low-skilled young workers through human resource development and training.</p>	<ul style="list-style-type: none"> • 2,000 young people employed in priority economic sectors/occupations (by type of contract, tenure and career prospects); • Percentage increase investments in priority economic sectors/occupations • 2,000 low-skilled young workers trained through the incentive scheme set up • Percentage increase of companies providing training for their workers. 	<ul style="list-style-type: none"> • No change 	<p>Ministry of Economy and Regional Development (MERD)</p> <p>National Employment Service (NES)</p> <p>Ministry of Finance (MoF)</p>	<p>€ 590,000 (to be raised through technical cooperation projects)</p>	<p>€ 4,134,000 (GoS, various)</p>	<p>September 2009</p>	<p>October 2011</p>
--	---	---	---	--	-----------------------------------	------------------------------	----------------------------

<p>Outcome 3.3 – Work training contracts to promote first-time employment in the private sector are introduced</p> <p>Baseline:</p> <ul style="list-style-type: none"> In 2007 the overall number of first-time jobseekers registered with MES was 381,000 individuals. Work-training contracts and work-based learning schemes are not yet available. <p>Outputs</p> <p>3.3.1. Work and learning contracts are introduced in the employment and labour regulatory framework.</p> <p>3.3.2. A new system for enterprise-based learning opportunities provided to graduating students to ease their transition to the world of work.</p>	<ul style="list-style-type: none"> 4,500 young first-time jobseekers recruited through work-training contracts and 70 percent employed 6 month after end programme. 4,500 secondary education students participate to work-based learning and 60 percent are employed 6 month after graduation. 	<ul style="list-style-type: none"> No change. 2,000 secondary education students participate to work-based learning and 60 percent are employed 6 month after graduation. 	<p>Ministry of Economy and Regional Development (MERD)</p> <p>Ministry of Labour and Social Policy (MLSP)</p> <p>National Employment Service (NES)</p>	<p>€2,250,000 (to be raised through technical cooperation projects)</p>		<p>September 2009</p>	<p>December 2010</p>
<p>Outcome 3.4. – The system of waiving non-wage labour costs is adjusted on the basis of impact evaluation results</p> <p>Baseline:</p> <ul style="list-style-type: none"> In 2007, 9,000 young people (up to 30 years of age) were employed through art. 45 schemes. No assessment is currently available on the impact of non-wage labour costs on youth employment. <p>Outputs</p> <p>3.4.1. Youth employment impact of the waiving of social security contributions assessed and recommendations used to develop evidence-based policies</p> <p>3.4.2. A system to constantly monitor the impact of non-wage labour costs on youth employment established and functioning.</p>	<ul style="list-style-type: none"> Number of young workers permanently employed after participating to programmes under art. 45 of the Law on Mandatory Social Security Contributions One assessment of non-wage labour cost on youth employment and informality conducted and lessons learnt fed into the youth employment policy cycle. 	<ul style="list-style-type: none"> No change. 	<p>Ministry of Economy and Regional Development (MERD)</p> <p>Ministry of Labour and Social Policy (MLSP)</p> <p>National Employment Service (NES)</p>	<p>€ 136,000 (to be raised through technical cooperation projects)</p>		<p>September 2009</p>	<p>June 2010</p>

<p>Outcome 3.5. Youth entrepreneurship is promoted through the activities of employers' organizations</p> <p>Baseline:</p> <ul style="list-style-type: none"> • No employer organizations' services are specifically dedicated to young people. • Business competitions, networking and mentoring not yet used. <p>Outputs</p> <p>3.5.1. Information resources and advisory services of employers' organizations provided to young entrepreneurs on a regular basis.</p> <p>3.5.2. Business competitions that reward innovation among enterprises established by young people conducted on a yearly basis.</p> <p>3.5.3. A mentoring system for young entrepreneurs put in place by employers organizations.</p>	<ul style="list-style-type: none"> • Number of youth less than 30 using the entrepreneurship services established by employers' organizations. • Number of enterprises set up by youth participating to business competitions. • Number of youth using networking and mentoring opportunities. • Rate of survival of enterprises benefiting from employers' organizations services (24 months+) 	<ul style="list-style-type: none"> • No change. 	<p>Employers' Organizations</p>	<p>€66,000 (to be raised through technical cooperation projects)</p>	<p>€50,000 (ILO YE Project)</p>	<p>September 2009</p>	<p>May 2011</p>
---	---	--	--	---	--	------------------------------	------------------------

INDICATORS		RESPONSIBLE UNIT	FINANCIAL INPUT		TIMEFRAME		
			Best case scenario	Worst case scenario	Not pledged/ fund-raising	Pledged	Start
<p>Objective: 4. Improve decent work prospects for youth.</p> <p>Target (best case scenario) 5% decrease in the informality rate of young workers 10% decrease in the number of enterprises in the informal economy</p> <p>(worst case scenario) 2.5% decrease in the informality rate of young workers 5% decrease in the number of enterprises in the informal economy</p>							
<p>OUTCOMES AND OUTPUTS</p> <p>Outcome 4.1.— The labour inspection system is reformed to tackle informal employment, especially of youth</p> <p>Baseline:</p> <ul style="list-style-type: none"> In 2007 the Labour Inspectorate carried out 4 600 inspections covering nearly 54 000 workers. Total revenues collected by the Pension and Disability Insurance Fund in 2007 amounted to USD5 billion, of which USD 3.4 billion were revenues from salaried work. <p>Outputs</p> <p>4.1.1 The legal framework governing the labour inspectorate jurisdiction amended to allow swift action on informal employment, especially in the case of young workers.</p> <p>4.1.2 The system of penalties for non compliance with the labour law is amended to deter both workers and enterprises from operating informally.</p> <p>4.1.3 A system of joint inspections, referral and information-sharing established among enforcement agencies (labour, health and tax inspection).</p>		<ul style="list-style-type: none"> No change. 	<p>Ministry of Labour and Social Policy (MLSP)</p> <p>Ministry of Finance (MoF)</p> <p>Ministry of Health (MoH)</p>	<p>€2,500,000 (to be raised through technical cooperation projects)</p>	<p>September 2009</p>	<p>December 2011</p>	

<p>Outcome 4.2 – Promotional measures to shift workers and enterprises to the formal economy are available</p> <p>Baseline: Approximately 82,000 young workers (59,800 women) are employed informally</p> <p>Outputs</p> <p>4.2.1 A system established to provide skill training grants targeting young informal workers and enterprises employing youth informally.</p> <p>4.2.2. Credit opportunities and other enterprise development services available to enterprises employing young workers informally.</p> <p>4.2.3 Tax incentives extended, on a temporary basis, to enterprises moving from the informal to the formal economy.</p>	<ul style="list-style-type: none"> • 8,200 young workers moved to the formal economy and still formal after 12 month 	<ul style="list-style-type: none"> • 4,100 young workers moved to the formal economy and still formal after 12 month 	<p>Ministry of Economy and Regional Development (MERD)</p> <p>Ministry of Labour and Social Policy (MLSP)</p> <p>National Employment Service (NES)</p>	<p>€ 1,640,000 (to be raised through technical cooperation projects)</p>	<p>€ 3,000,000 (GoS, various)</p>	<p>September 2009</p>	<p>December 2011</p>
<p>Outcome 4.3 – Young people are informed and aware of their rights at work</p> <p>Baseline: None</p> <p>Outputs</p> <p>4.3.1 An ad hoc module on youth and the informal economy included in the annual LFS.</p> <p>4.3.2 Information and training material on rights at work for young people prepared and disseminated through the network of NES, trade unions and employers' organization and included in career development services in schools.</p> <p>4.3.3 Information and guiding sessions on rights at work provided during career education in secondary schools.</p> <p>4.3.4 Awareness and information campaigns organised by the Ministry of Labour and Social Policy and the social partners on the negative impact of the informal economy.</p>	<ul style="list-style-type: none"> • One annual survey carried out on business sectors, the informal economy and youth employment. • Three awareness and information campaigns organised. • Number of young people sensitized on fundamental rights at work. 	<ul style="list-style-type: none"> • No change. 	<p>Ministry of Labour and Social Policy (MLSP)</p> <p>Republic Statistical Office (RSO)</p> <p>Employers' Organizations</p> <p>Workers' Organizations</p>	<p>€270,000 (to be raised through technical cooperation projects)</p>	<p>€50,000 (ILO YE Project)</p>	<p>September 2009</p>	<p>June 2010</p>

Objective: 5. Promote labour market inclusion of disadvantaged youth through targeted active labour market measures.			
Target (best case scenario) 10% Increase of disadvantaged youth participating in ALMPs and employed in career job 4% decrease in the number of disadvantaged youth who are NEET (worst case scenario) 10% Increase of disadvantaged youth participating in ALMPs and employed in career job 2% decrease of disadvantaged youth who are NEET			
OUTCOMES AND OUTPUTS	INDICATORS		RESPONSIBLE UNIT
	Best case scenario	Worst case scenario	
FINANCIAL INPUT		TIMEFRAME	
Not pledged/ fund-raising		Pledged	Start End
Outcome 5.1 – The targeting and financing of active labour market policies is reformed to address the needs of the most vulnerable categories of young people Baseline: 72,000 young people less than 30 are registered as unemployed in NES with a qualification level I to III. Outputs 5.1.1. Early profiling system for youth developed and used in all branch offices to segment young clients for priority intervention. 5.1.2. A youth employment fund established to finance employment interventions to smooth the transition to decent work for disadvantaged youth. 5.1.3. Parameters for a better allocation of financial and human resources for NES branch offices developed and used. 5.1.4. The design and targeting of active labour market programmes systematically monitored and evaluated. 5.1.5. A system for reaching-out to most disadvantaged categories of youth pilot-tested in NES branch offices.	<ul style="list-style-type: none"> • No change. <ul style="list-style-type: none"> • A youth employment fund established to finance ALMPs targeting disadvantaged youth • Disadvantaged youth activation rate increased by 10 percent. • Increase in the number of youth (less than 30 years old) profiled early; • Percentage increase of disadvantaged youth in ALMPs and employed in decent work. 	Ministry of Economy and Regional Development (MERD) Ministry of Finance (MoF) National Employment Service (NES)	September 2009 December 2011
€ 3,650,000 (GoS, ILO YE Project, MDG-F YEM)			

<p>Outcome 5.2 – Employment and social services are integrated to address the needs and rights of disadvantaged youth</p> <p>Baseline: None.</p> <p>Outputs</p> <p>5.2.1.1 A common early identification mechanism for social protection and employment services developed and pilot tested at local level.</p> <p>5.2.2 A referral system between labour market and social services for disadvantaged youth established and functioning.</p> <p>5.2.3 Integrated programmes developed by NES and financed through the youth employment fund to improve employment prospects of disadvantaged youth.</p>	<ul style="list-style-type: none"> • 3,000 young men/women using integrated employment and social services. • 1,800 disadvantaged young men/women treated with integrated services transitioned to decent work. 	<ul style="list-style-type: none"> • No change. 	<p>Ministry of Economy and Regional Development (MERD)</p> <p>Ministry of Labour and Social Policy (MLSP)</p> <p>National Employment Service (NES)</p>		<p>€500,000 (MDG-F YEM)</p>	<p>September 2009</p>	<p>December 2011</p>
---	---	--	---	--	------------------------------------	------------------------------	-----------------------------

Annex 2 – Portfolio of Youth Employment projects (to be submitted to the donors' community)

Project outline Improving the governance of the (youth) labour market	
Project Description	<p>The tasks of the Employment Department of the MERD include the design, monitoring and evaluation of the employment policy and national action plan; the analysis of labour market trends, especially with regard to groups at risk of labour market exclusion (young people, older workers, people with disabilities, redundant workers); participation in shaping national policies with an impact on employment (for example the reform of the education system); and monitoring of the national qualification and occupation system.</p> <p>This project aims at strengthening the capacity of the Employment Department to regularly monitor and evaluate the impact of employment policy on youth. Such work is expected to foster the Department's labour administration functions and the interactions with the Ministry of Labour and Social Policy, the National Employment Service, the Labour Inspectorate and other ministries in charge of other economic and social policies.</p>
Link to AP	<p>Objective 1, Strengthening the (youth) labour market governance system</p> <p>Output 1.1.3. Monitoring and evaluation cycles of the active policy on employment regularly conducted.</p>
Project immediate objective(s)	To strengthen the capacity of the Employment Department of the MERD to monitor and evaluate the employment policy and accompanying action plans
Project performance Indicators	<ul style="list-style-type: none"> Monitoring and evaluation cycles of the employment policy and action plans regularly carried out by the Employment Department.
Project Outputs	<ul style="list-style-type: none"> An assessment of the achievement of the employment policy objectives carried out The findings of the assessment are used to (re)formulate the employment policy and accompanying action plans.
Budget	€380,000 (co-financing)
Contact	Employment Department of the Ministry of Economy and Regional Development of Serbia

Project outline Giving young people skills leading to employment	
Project Description	<p>The project aims at supporting the Ministry of Economy and Regional Development to establish, together with the National Employment Service, an employment-oriented, flexible entry/exit competency-based system for young unemployed and school dropouts. The estimated number of youth who leave school early is 9,200 (4,000 girls), while the ones who end up in open unemployment are approximately 5,000 (2,000 young women).</p> <p>Actions will comprise: i) the establishment of a network of methodologists, trainers and curricula developers; ii) the design of curricula and training packages for emerging occupations; and iii) the introduction of competency-based modular training programmes that are based on labour market requirements. These programmes – firmly based on job, tasks and skills analysis – will aim to redress poor educational outcomes and lack of qualifications that are strong determinants of labour market disadvantage and the social exclusion of young people. Particular emphasis will be given to the development of curricula that facilitate the transferability of skills and include core competencies to support life-long learning skills.</p>
Link to AP	<p>Objective 2, Increasing the employability of young people</p> <p>Outcome 2.2. A flexible entry/exit competency based system for training and retraining is in place and provides skills leading to the employment of young jobseekers, including school drop-outs.</p>
Project immediate objective(s)	To introduce a flexible entry/exit competency based system for training and retraining that provides youth with skills leading to gainful employment
Project performance Indicators	<ul style="list-style-type: none"> • 6,000 young unemployed who left school early achieve recognized qualifications through competency-based training (CBT); • 60 percent of youth participating in CBT training are employed in decent work in the occupation of choice 6 months after completion of the programme.
Project Outputs	<ul style="list-style-type: none"> • 1 annual survey on occupations and skills most demanded by the labour market conducted; • 5 modularized competency-based training packages in 5 priority occupations developed; • 15 training practitioners trained to deliver CBT in priority occupations • 6,000 unemployed youth training in occupations and skills demanded by the labour market
Budget	€2,300,000 (co-financing)
Contact	<p>Employment Department of the Ministry of Economy and Regional Development of Serbia National Employment Service of Serbia</p>

Project outline Providing young people with skills leading to employment	
Project Description	<p>The project aims at supporting the National Employment Service to provide young people who are either unemployed or out of the labour market with services aimed at recognizing competencies acquired in non-formal settings. This will be done by setting up an assessment centre managed by the NES where job competencies can be recognized, certified and accredited for employment purposes.</p> <p>In 2007, nearly a third of the youth population 15-24, i.e. 247,000 young Serbs, were neither in employment nor in education or training. Of these, over 90,000 (46,000 young women) were out of the labour force.</p>
Link to AP	<p>Objective 2, Increasing the employability of young people</p> <p>Output 2.3.2. Recognition of prior learning system developed and used to assess competencies acquired in non-formal settings.</p>
Project immediate objective(s)	To establish an assessment centre within the NES to recognize job competencies acquired by youth in informal settings.
Project performance Indicators	<ul style="list-style-type: none"> • Number of out-of-school youth who achieve a qualification recognized by the labour market
Project Outputs	<ul style="list-style-type: none"> • The NES offers a range of services geared to recognize job competencies to unemployed or out of the labour force youth
Budget	€400,000 (co-financing)
Contact	National Employment Service of Serbia

Project outline Improving young people's understanding of the labour market	
Project Description	The project envisages the design and dissemination of information material on career paths, industries, jobs – and their requirements– as well as job navigations and CV writing skills to improve young people's knowledge about the labour market, inform them about education and occupational career opportunities and, generally, make them more job-ready. The aim is to provide tools to practitioners to provide career development services to young people in and out of school. The project will contribute to increase the employability of young people and provide them with tools to navigate the Serbian labour market.
Link to AP	Objective 2, Increase youth employability Output 2.4.1 Information on the labour market, industries, occupations and career pathways collected, analyzed and systematically made available by the NES to a wide range of users (individuals, institutions, community-based organizations, schools).
Project immediate objective(s)	To improve the quality and quantity of labour market information available to young people in and out of school.
Project performance Indicators	<ul style="list-style-type: none"> • 10 percent of secondary and tertiary education students (e.g. 52,600 young people) and 50 percent of youth registered in the employment service (e.g. 120,000 young people) have access to quality career information and guidance materials.
Project Outputs	<ul style="list-style-type: none"> • Youth-specific career information materials and tools designed, published and distributed – also through ICT means – to secondary and tertiary students and young unemployed registered with the National Employment Service.
Budget	€300,000 (co-financing)
Contact	National Employment Service of Serbia

Project outline Giving youth priority in investment policies	
Project Description	<p>The recognition of the importance of high-quality investment in the country's economic development is at the core of the National Investment Plan (NIP) of Serbia. The aim of this project is to refine the NIP planning process to prioritize interventions that have high (youth) employment impact through ex-ante cost-benefit analysis and the alignment of NIP objectives to medium-term human resource development priorities.</p> <p>The projects financed by the NIP and the active labour market programmes financed through the NES and aimed at increasing human capital will be coordinated to minimize fund dispersion and contribute to local development priorities.</p>
Link to AP	<p>Objective 3, Fostering youth employment through private sector development</p> <p>Output 3.1.1 The project selection criteria of the NIP refined to comply with the objectives of regional development, employment, enterprise promotion and poverty reduction strategies;</p> <p>Output 3.1.3 Projects funded by the NIP aligned to the human resource development programmes of NES branch offices in less developed regions.</p>
Project immediate objective(s)	To prioritize for funding those investment policy measures and plans based on their projected youth employment impact.
Project performance Indicators	<ul style="list-style-type: none"> • Number of workers younger than 30 employed through projects financed by NIP; • Number of net jobs created for youth by the NIP in less developed regions.
Project Outputs	<ul style="list-style-type: none"> • An ex-ante cost-benefit analysis system designed and pilot-tested to prioritize investments with high youth development contents • The projects that contribute to local human development strategies are prioritized for funding by the NIP.
Budget	€200,000
Contact	<p>Ministry of Economy and Regional Development of Serbia</p> <p>National Employment Service of Serbia</p> <p>Ministry of Finance of Serbia</p>

Project outline Supporting enterprises creating jobs for young people	
Project Description	<p>This project aims at supporting the Ministry of Economy and Regional Development to identify economic sectors that have high youth employment elasticity and to ease red tape constraints on the operations of SMEs.</p> <p>The growing gap between demand and supply of skilled employees is one of the main obstacles to increasing investment and developing new branches of the economy. These constraints may be addressed by supporting enterprises – through the SME Agency and the Development Fund – in sectors that have high youth employment elasticity.</p> <p>Red tape constraints (high administrative costs for business start-up, employees' registration, construction permits and tax compliance) may be tackled by establishing a fast-track system for small and medium size enterprises and by extending the facilities granted to larger enterprises (use of IT for a number of administrative and tax purposes) to micro, small and medium-size enterprises.</p>
Link to AP	<p>Objective 3, Fostering youth employment through private sector development</p> <p>Outputs 3.2.1. A survey to measure the youth employment elasticity of the various economic sectors conducted on an annual basis to identify priority sectors of intervention;</p> <p>Outputs 3.2.2 Fast track for enterprise start-up and expansion established in sectors with high youth employment elasticity.</p>
Project immediate objective(s)	To identify and provide supports to economic sectors and enterprises with high youth employment elasticity.
Project performance Indicators	<ul style="list-style-type: none"> • Percentage increase in investments in priority economic sectors/occupations; • Number of young people employed in priority economic sectors/occupations.
Project Outputs	<ul style="list-style-type: none"> • 1 survey to measure the youth employment elasticity of the various economic sectors conducted on an annual basis to identify priority sectors of intervention; • A fast track for enterprise start-up and expansion established in sectors with high youth employment elasticity.
Budget	€590,000 (co-financing)
Contact	Ministry of Economy and Regional Development of Serbia

Project outline Work-training contracts for young people	
Project Description	<p>This project is geared to facilitate the entry of young people into the labour market by institutionalizing school-to-work transition programmes. It addresses the lack of work experience of newly graduated youth by offering enterprises the option of using, for a limited time, alternative forms of employment contracts that mix learning and work and whose social contribution payment is subsidized by the state.</p> <p>Such a school-to-work transition system will be complemented by work-based learning and practice opportunities for young people still at school. Young people participating in work-based learning will not be regarded as members of the enterprise, but as students under the jurisdiction and supervision of the schools. The organization of work-based learning for students will be based on partnership agreements between schools and enterprises and is to be facilitated by the NES. School authorities, enterprise and the NES will decide on the general purposes and content of work-based learning, create or select training materials, establish routines for placing and supervising students, evaluate students' performance and settle issues such as legal liability (accident and health insurance), transportation, and so on.</p>
Link to AP	<p>Objective 3, Fostering youth employment through private sector development</p> <p>Output 3.3.1. Work and learning contracts for first entrants into the labour market introduced in the employment and labour regulatory framework;</p> <p>Output 3.3.2. A new system for enterprise-based learning opportunities (practice periods, work experience schemes, work-based arrangements) provided to graduating students to ease their transition into the world of work.</p>
Project immediate objective(s)	To introduce work-training contracts for young first entrants into the labour market.
Project performance Indicators	<ul style="list-style-type: none"> • 4,500 young first-time jobseekers recruited through work-training contracts and 70 percent are employed 6 months after programme completion; • 4,500 secondary education students participate to work-based learning schemes and 60 percent are employed 6 months after graduation compared to non-participants.
Project Outputs	<ul style="list-style-type: none"> • Work and learning contracts for first entrants in the labour market introduced in the employment and labour regulatory framework; • A new system for enterprise-based learning opportunities (practice periods, work experience schemes, work-based arrangements) provided to graduating students to ease their transition into the world of work.
Budget	€2,250,000
Contact	Ministry of Economy and Regional Development of Serbia National Employment Service of Serbia

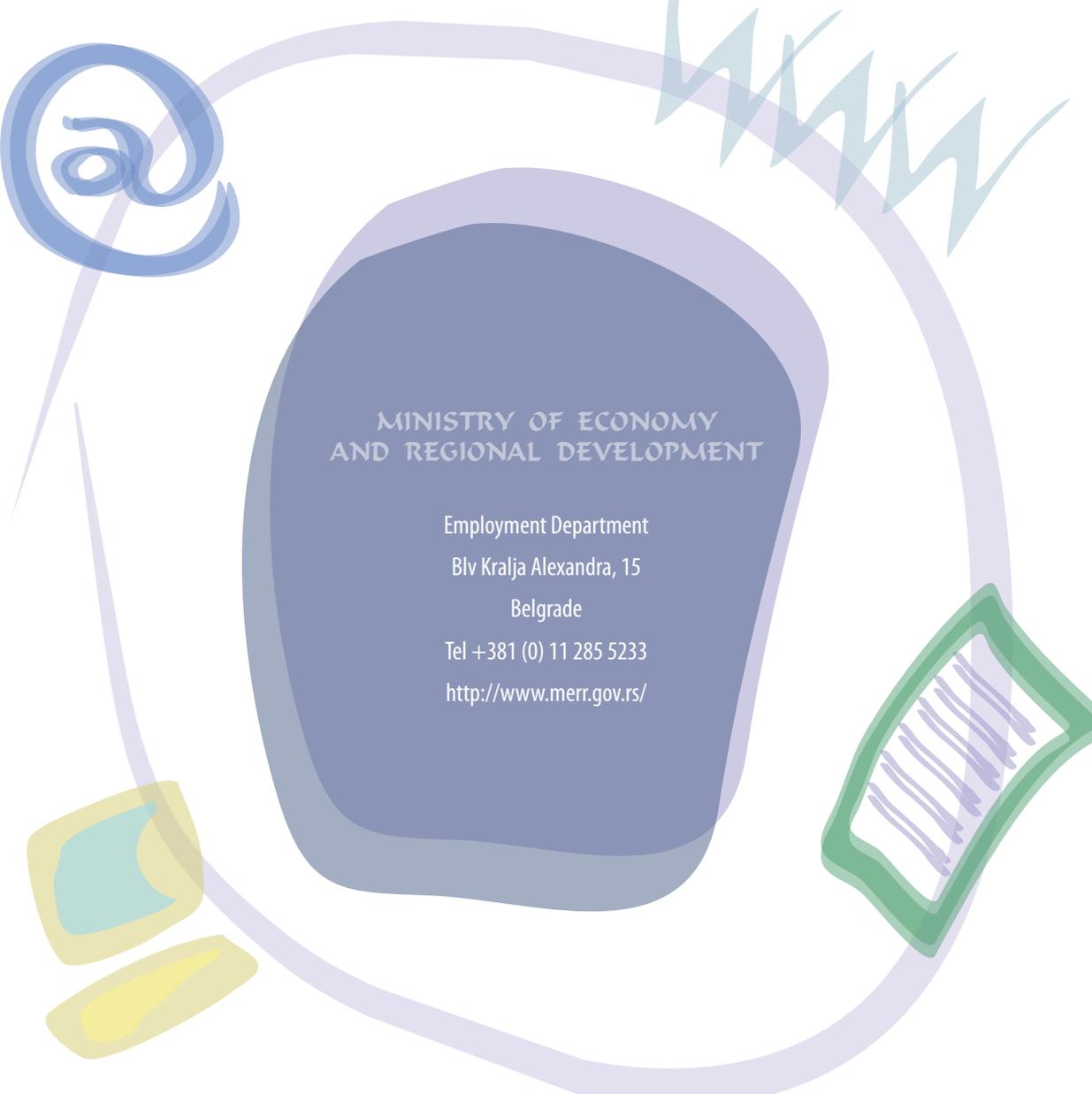
Project outline	
Reviewing the impact of non-wage labour costs for youth employment creation	
Project Description	<p>This project is geared to assess the impact of non-wage labour costs on youth employment in Serbia. Research in CEE countries has shown that youth unemployment tends to rise with higher payroll taxes. As employers in Serbia consider high payroll taxes as a major obstacle to the creation of new jobs, their impact on employment, especially for young people, will be assessed by conducting a net impact evaluation on youth employment of the amendment of article 45 of the Law on Mandatory Social Security Contributions for people under 30 years of age. If a positive relation exists, the government will consider whether there is fiscal space for a general or temporary reduction of payroll taxes to improve youth employment.</p>
Link to AP	<p>Objective 3, Fostering youth employment through private sector development</p> <p>Output 3.4.1. The youth employment impact of the waiving of social security contributions (article 45 of the Law on Mandatory Social Security Contribution) assessed and recommendations used to develop evidence-based policies;</p> <p>Output 3.4.2. A system to monitor the impact of non-wage labour costs on youth employment established and functioning.</p>
Project immediate objective(s)	<p>To evaluate the impact of the non-wage labour costs system on youth employment in Serbia.</p>
Project performance Indicators	<ul style="list-style-type: none"> • Number of young workers permanently employed after participating to programmes under art. 45 of the Law on Mandatory Social Security Contributions compared to non-participants; • An impact evaluation of non-wage labour costs on youth employment and informality conducted and lessons learnt fed into the development of evidence-based policies.
Project Outputs	<ul style="list-style-type: none"> • An impact evaluation of non-wage labour costs on youth employment and informality carried out. • The lessons learnt from the evaluation are fed into the development of evidence-based policies. • A system to regularly monitor non-wage labour costs and their impact on youth employment is established.
Budget	€136,000
Contact	<p>Ministry of Economy and Regional Development of Serbia</p> <p>Ministry of Labour and Social Policy of Serbia</p> <p>National Employment Service of Serbia</p>

Project outline Development of youth entrepreneurship services and programmes	
Project Description	<p>There are a variety of services available to entrepreneurs through the employers' organization of Serbia, but none is specifically dedicated to young people. Also, business competitions, mentoring and shadowing are not yet used as a means to promote youth entrepreneurship.</p> <p>The project envisaged the development of a range of targeted services to support young, potential entrepreneurs in setting up their business, in particular: 1) information and advisory services (on taxation, regulations, liabilities, access to networking opportunities); 2) business competition and prizes, sponsored by established enterprises; 3) mentoring and shadowing opportunities.</p>
Link to AP	<p>Objective 3, Foster employment-intensive private sector development</p> <p>Outcome 3.5. Youth entrepreneurship is promoted through the activities of employers' organizations.</p>
Project immediate objective(s)	To promote youth entrepreneurship through the activities of employers' organizations.
Project performance Indicators	<ul style="list-style-type: none"> • Number of youth younger than 30 using the entrepreneurship information and advisory services established by employers' organizations. • Number of young companies participating in business competitions. • Number of youth less than 30 using mentoring and shadowing opportunities. • Rate of survival of young enterprises benefiting from employers' organizations services.
Project Outputs	Entrepreneurship development services and programmes are offered by the employers' organization of Serbia for young entrepreneurs starting or expanding their own businesses. Yearly business competitions that reward innovation in young companies organized and a mentoring and shadowing system for young entrepreneurs available at the employers' organization of Serbia.
Budget	€66,000 (co-financing)
Contact	Employers' Organization of Serbia

Project outline Improving the cost-effectiveness of the Serbian inspection system	
Project Description	<p>One of the key policies of Serbia for the medium term is the reduction of the informal economy to be achieved in part by: a) strengthening the labour inspection system, and b) improving coordination among the existing inspection systems in Serbia.</p> <p>The various inspection systems (labour, tax and health) will be provided with clear, transparent and coherent practice guidelines for conducting joint inspections and with a permanent system of information-sharing. This system will include other government agencies as appropriate (NES monitoring of unemployment benefit contribution), with a view to consolidating the knowledge base on enterprises, industry sectors and compliance with legal requirements. To support the inspection work, enforcement agencies will jointly develop and distribute information material explaining the requirements of the current legal framework (protection of workers' rights, social security, taxes, obligation of employers in securing health and safety in the workplace, etc.) and the benefits deriving from the regularization of enterprises and/or workers (improved performance and productivity).</p> <p>The project is aimed at supporting the efforts of the Government of Serbia to establish a system of joint inspections among key enforcement agencies to improve the policing of the informal economy. Specifically, the project is geared to interface the IT database system of the labour, tax and health authorities for the planning of joint inspections, information sharing and enforcement of the rule of law.</p>
Link to AP	<p>Objective 4 Improve decent work prospects for youth</p> <p>Outcome 4.1 The labour inspection system is reformed to take action on informal employment, especially of youth.</p>
Project immediate objective(s)	To reform the labour inspection system to take action on informal employment, especially of youth.
Project performance Indicators	<ul style="list-style-type: none"> • Percentage increase in labour, health and tax inspections year on; • Percentage increase in the number of young workers registered in sectors at risk of informality (services, trade, construction); • Percentage increase in social contribution revenues (labour, health, tax revenues).
Project Outputs	A system of joint inspections, referral and information-sharing established among enforcement agencies (labour, health and tax inspection).
Budget	€2,500,000
Contact	Ministry of Labour and Social Policy

Project outline Promotional measures to move workers and enterprises to the formal economy	
Project Description	<p>Enterprises increasingly require a higher level of education coupled with work experience to minimize the low return on human resource investment. In order to gain the work experience that enterprises value, young people turn to the informal economy. This situation, coupled with poor knowledge of their rights at work make young workers vulnerable to exploitation.</p> <p>Breaking the cycle of informality requires a careful approach that induces enterprises to comply with their obligations yet avoids driving them out of business. A system of incentives to accompany a stricter penalty system will be established whereby enterprises moving from the informal economy will be given access to training incentives/grants and other services.</p> <p>The project aims at providing technical assistance to the Ministry of Economy and Regional Development and to the NES to develop a skills training grant system to improve the productivity of young, informal workers and move them into the formal economy.</p>
Link to AP	<p>Objective 4 Improve decent work prospects for youth</p> <p>Output 4.2.1 A system established to provide skill training grants targeting young informal workers (20-30 years of age) and enterprises employing youth informally.</p>
Project immediate objective(s)	To introduce skills training grants to increase the productivity of informal workers and shift them to the formal economy.
Project performance Indicators	<ul style="list-style-type: none"> • Number of young workers moved to the formal economy and still formal after 12 months.
Project Outputs	<p>A system of skills training grants will be made available to young workers and enterprises in the informal economy</p> <p>Productivity of young workers will be increased through enterprise-based training activities.</p>
Budget	€1,640,000 (co-financing)
Contact	<p>Ministry of Economy and Regional Development</p> <p>National Employment Service of Serbia</p> <p>Ministry of Labour and Social Policy</p>

Project outline Awareness raising among youth on the negative impact of the informal economy	
Project Description	<p>Productive and rewarding work is the most deeply felt aspiration of young people entering the labour market. For them, decent work is the very symbol of coming of age. With work, young women and men become independent and free to make choices about their lives. However, the chances of young people in Serbia to find a good job after finishing school are scant and many resort to the informal economy to gain the work experience that enterprises value. This situation, coupled with poor knowledge about their rights at work make young workers vulnerable to exploitation.</p> <p>The nation-wide information and awareness raising campaigns organized by the Ministry of Labour and Social Policy and the social partners will be complemented by the development of information and training material to raise youth awareness about their rights at work. These materials will be distributed to young people through schools, employment offices and the local networks of the social partners.</p> <p>The project aims at providing technical assistance to workers' and employers' organizations to develop sensitization activities among their members on the informal economy and contribute to the awareness campaigns to be launched by the Ministry of Labour and Social Policy.</p>
Link to AP	<p>Objective 4 Improve decent work prospects for youth</p> <p>Outcome 4.3 – Young people are informed and aware of their rights at work.</p>
Project immediate objective(s)	<ol style="list-style-type: none"> 1. To raise the awareness among worker and employer organizations' members about the informal economy; 2. To develop and disseminate information and awareness materials on the informal economy
Project performance Indicators	<ul style="list-style-type: none"> • Three awareness and information campaigns organised by the social partners with the Government on the negative impact of the informal economy on workers and enterprise productivity. • Number of young people sensitized to fundamental rights at work.
Project Outputs	<ul style="list-style-type: none"> • Three awareness and information campaigns are organised by the social partners with the Government. • Sensitization and awareness materials developed and disseminated through the networks of worker and employer organizations.
Budget	€270,000 (co-financing)
Contact	Employers' and workers' organizations of Serbia



MINISTRY OF ECONOMY
AND REGIONAL DEVELOPMENT

Employment Department

Blv Kralja Alexandra, 15

Belgrade

Tel +381 (0) 11 285 5233

<http://www.merr.gov.rs/>



This publication was supported by
the Italian Ministry of Foreign Affairs